Michigan Public School Employees Retirement System

Comprehensive Annual Financial Report for the Fiscal year Ended September 30, 1997

A Pension Trust Fund of the State of Michigan

John Engler, Governor

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1997

MPSERS

Prepared by:
Office of Retirement Systems
Michigan Public School Employees' Retirement System
7150 Harris Drive
P.O. Box 30673
Lansing, Michigan 48909-8103
(517) 322-5103

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The cost of printing this report was $3,206.73, which was paid for by the retirement system at no cost to taxpayers.

Michigan Public School Employees' Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 1997

INTRODUCTORY SECTION

MPSERS

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Michigan Public School Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

Letter of Transmittal

Michigan Public School Employees' Retirement System
General Office Building, Third Floor
P.O. Box 30673
Lansing, Michigan 48909-8103
Telephone (517) 322-5103

STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

March 6, 1998

The Honorable John Engler
Governor, State of Michigan,

Members of the Legislature
State of Michigan
Retirement Board Members
and
Members, Retirees and Beneficiaries

Ladies and Gentlemen:

We are pleased to present the annual report of the Michigan Public School Employees' Retirement System (MPSERS or System) for fiscal year 1997.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

The Michigan Public School Employees' Retirement System was established by legislation under Public Act 136 of 1945. The number of active and retired members and beneficiaries for the System is presented on page 17 of this report. The purpose of the System is to provide benefits for all public school employees. The services provided by the staff are performed to facilitate benefits to members.

The 1997 annual report is presented in five sections. The introductory section contains the transmittal letter, identification of the administrative organization and professional consultants used by the System. The financial section contains the independent auditors' report, financial statements of the System and certain supplemental schedules. The investment section summarizes investment activities. The actuarial section contains the independent consulting actuary's certification, an outline of actuarial assumptions and methods, and other actuarial statistics. The statistical section contains statistical tables of significant data pertaining to the retirement System.

MAJOR INITIATIVES FOR THE YEAR

Customer Information Center

In fiscal 1997, MPSERS and the other systems within the Office of Retirement Systems took a major step toward addressing member concerns regarding telephone communications.

Letter of Transmittal (Continued)

addressing member concerns regarding telephone communications.
Beginning in the fall of 1997, MPSERS joined forces with the State Employees' Retirement System, the Judges' Retirement System, and the State Police Retirement System to establish a Customer Information Center (CIC). This toll-free telephone call-in center serves as a comprehensive clearinghouse for information for members of all four retirement systems.

The CIC staff, chosen from all four retirement systems, is cross-trained to allow any staff member to answer questions about any system. Questions that are too specialized for CIC staff to answer are directed to staff of the appropriate retirement system. The goal is that CIC will answer 60% of all calls during the first six months and 90% thereafter.

The CIC became operational in October 1997.

Reengineering

In fiscal 1997, MPSERS aggressively pursued an ongoing program of business process reengineering. The MPSERS program radically changed various business processes, resulting in dramatic improvements in services.

The staff team began the fiscal year by reengineering the records units and mailroom functions. From there, it moved to the service credit evaluation and billing process, then on to the retirement applications process. By reengineering the application process, MPSERS sped up the process for placing new retirees on the pension payroll. During the months of July and August, which are the busiest months for public school retirees, 74% of all new retirees received their initial pension payment within 60 days of their retirement effective date.

Record number of summer retirements

Because public school employees tend to plan their retirement around the close of the school year, summer is traditionally the busiest time for adding new retirees to the MPSERS payroll. The summer of 1997, however, was one of the busiest on record.

In fiscal 1997, MPSERS set a record for the number of new retirees placed on the pension payroll for the July-September period. With 1,612 added in July, 1,665 in August and 1,317 in September, new retirees totaled 4,594 for the summer. This figure is surpassed only by the summer of 1986, when the legislatively mandated "Rule of 80" was in effect.

MPSERS on the World Wide Web

In fiscal 1997, MPSERS established a presence on the Internet World Wide Web. The page location is http://www.state.mi.us/dmb/mpsers.

The MPSERS homepage offers

- an overview of the System and its operations
- a listing of MPSERS Retirement Board members
- a listing of MPSERS regional offices, key telephone numbers and key staff
- answers to frequently asked questions for active members and retirees
- a complete copy of Public Act 300 of 1980, as amended, the legislation under which MPSERS operates
- information on the MPSERS statewide outreach program, including site maps and dates
- links to other retirement-related internet sites

Letter of Transmittal (Continued)

The move to give MPSERS an internet presence was predicated on the growing level of internet access among members, retirees and reporting units. Research by ORS staff indicated almost every public school in Michigan has, or plans to acquire, an internet capability. Likewise, internet access by MPSERS retirees is estimated to be 8-10% and growing.

Statewide Outreach Program

Last year, MPSERS initiated a pilot program of pre-retirement outreach meetings in selected areas. Members in those areas had the opportunity to attend a pre-retirement information meeting (PRIM) and schedule an individual appointment with a retirement counselor from the MPSERS staff.

Because of the success of the pilot, MPSERS expanded the program statewide in 1997. The statewide program targets approximately 45 sites, most affiliated with an intermediate school district.

The goal for the statewide program was to give MPSERS members an opportunity to attend a PRIM and meet with a counselor twice a year, within 50 miles or less of home. For most members, the program is meeting the goal.

Health Care Initiatives - HMO Pilot Program

In fiscal 1997, MPSERS began several initiatives designed to improve the health care benefits available to MPSERS retirees and to keep the benefit affordable.

The major initiative was a voluntary pilot program giving retirees in targeted areas the option to join a health maintenance organization (HMO). Initially, the HMO option is available in West Michigan and Southeast Michigan, beginning in the fall of 1997.

The initiative is a response to retirees who belonged to HMOs while working and wished to continue those memberships in retirement, as well as those in certain areas whose access to traditional network providers is limited. Typically, HMOs offer preventative and wellness benefits that traditional health care packages do not.

Throughout the two-year pilot period, ORS staff will evaluate the initiative and decide whether to recommend expansion of the HMO option to other geographic areas.

Health Care Initiatives - Two-tier Prescription Drug Co-payment

In fiscal 1997, MPSERS initiated a two-tier prescription drug co-payment schedule designed to encourage generic drug use. Under the new schedule, which took effect September 1, 1997, retirees continue to pay a $4 co-payment for generic medications, but pay $8 for brand name medications.

The two-tier system is necessary to keep pace with the rapidly increasing cost of prescription drugs, particularly brand names.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MPSERS for its comprehensive annual financial report for the fiscal year ended September 30, 1996. The Certificate of Achievement is a national award recognizing excellence in the

Letter of Transmittal (Continued)

To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid only for one year. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to the GFOA for consideration again this year.

FINANCIAL INFORMATION

Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and investment income (including unrealized investment gains and losses) for fiscal year 1997 totaled approximately $7.3 billion (See Table 1).

Total contributions and investment income increased 54.7% from those of the prior year due primarily to increased investment earnings. Employer contributions increased 10% and investment income increased 74.2% from the prior year. The investment section of this report reviews the results of investment activity for 1997.

Table 1 ($ in Millions)	1997	1996	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member contributions	$ 278.6	$ 279.1	$ (0.5)	0 %
Employer contributions	1,222.3	1,110.8	111.5	10.0
Investment Income	5,794.6	3,325.8	2,468.8	74.2
Total	$ 7,295.5	$ 4,715.7	$ 2,579.8	54.7 %

Deductions From Net Plan Asset

The primary expenses of the system include the payment of pension benefits to members and beneficiaries, payments for health, dental and vision benefits, refund of contributions to former members, and cost of administering the retirement system. The growth of health care expenditures continued at a moderate rate during the year. As a result, expenses for health care increased by $41.7 million from $296.9 million to $338.6 million during the fiscal year. Total expenses for fiscal year 1997 were $1,686.4 million, an increase of 6.2% over 1996 expenses (see Table 2). The increase in benefit expenses resulted primarily from an increase in benefit payments to retirees.

Letter of Transmittal (Continued)

Table 2 ($ in Millions)	1997	1996	Increase Amount	Increase Percentage
Pension benefits	$ 1,317.8	$ 1,268.3	$ 49.5	3.9 %
Health care benefit	338.7	296.9	41.8	14.1
Refund	17.9	11.7	6.2	53.0
Administrative expenses	12.1	10.4	1.7	16.3
Total	$ 1,686.5	$ 1,587.3	$ 99.2	6.2 %

Internal Control

The management of the system is responsible for maintaining a system of adequate internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records.

YEAR 2000

As the new millennium approaches, institutions throughout the world are faced with the problem that any system or business with a date component may fail or produce invalid results the first time a date in the new millennium is encountered. The System fully recognizes the significance and magnitude of this impending problem and is developing a comprehensive program to achieve Year 2000 compliance.

INVESTMENT

The State Treasurer is the investment fiduciary and custodian of all investments of the system pursuant to state law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment return rate. The investment activity for the year produced a total rate of return on the portfolio of 23.6%. For the last five years, the system has experienced an annualized dollar weighted rate of return of 13.8%. A summary of asset allocation and rates of return can be found on page 40 of this report.

FUNDING

Funds are derived from the excess of revenue over expenses. Funds are accumulated by the system in order to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the "funded ratio". This ratio provides an indication of the funding status of the system and, generally, the greater this percentage, the stronger the system. As of September 30, 1997, the actuarial value of the assets and actuarial accrued liability were $30,051 million and $29,792 million respectively, resulting in a funded ratio of 100.9%. As of September 30, 1996, the amounts were $25,485 million and $30,179 million respectively. A historical perspective of funding is presented on page 29 of this report.

As of September 30, 1997, pension plan net assets were $30,001 million. The ratio of pension assets at market value to the actuarial accrued liability was 101%.

Letter of Transmittal (Continued)

PROFESSIONAL SERVICES

An annual audit of the system was conducted by Andrews, Hooper & Pavlik P.L.C., independent auditors. The auditors' report on the System's financial statements is included in the financial section of this report.

Statute requires an annual actuarial valuation be conducted. The purpose of the valuation is to evaluate the mortality, service, compensation and other financial experience of the retirement system and to recommend employer funding rates for the subsequent year. This annual actuarial valuation was completed for the fiscal years ended September 30, 1997 and 1996. Actuarial certification and supporting statistics are included in the actuarial section of this report.

ACKNOWLEDGMENTS

The preparation of this report was accomplished with the dedication and cooperation of many people. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the funds of the system.

We would, therefore, like to express our appreciation for the assistance given by staff, the advisors and many people who contributed to its preparation. We believe their combined efforts have produced a report that will enable the employer and plan members to better evaluate and understand the Michigan Public School Employees' Retirement System. Their cooperation contributes significantly to the success of MPSERS.

Sincerely,

Janet E. Phipps

Janet E. Phipps, Director
Department of Management and Budget

Christopher M. DeRose

Christopher M. DeRose, Director
Office of Retirement Systems

Administrative Organization

Retirement Board Members

Jack Anson, President
Retiree Member
Term Expires March 1, 1999

Thomas Lukshaitis
Classroom Teacher
Term Expires March 30, 2000

Diana Osborn
Noncertified Support Member/Retiree
Term Expires March 30, 2001

Dr. Donald Weatherspoon
Representing Arthur E. Ellis
State Superintendent of Education
Statutory Member

Robert Rietz
General Public
Term Expires March 1, 1998

Dr. Ella Stapleton
Representing 1st Class District
Term Expires March 1, 1998

Kenneth Walcott
School System Superintendent
Term Expires March 30, 2001

Michael E. Casady
Classroom Teacher
Term Expires March 30, 2000

Marsha Smith
Classroom Teacher
Term Expires March 30, 2001

Dr. Rudy Stefancik
Reporting Unit Board of Control
Term Expires March 30, 2001

Administrative Organization

Department of Management and Budget
Office of Retirement Systems
Third Floor, Wing A, General Office Building
7150 Harris Drive
P.O. Box 30673, Lansing, Michigan 48909-8103
(517) 322-5103

Christopher M. DeRose, Director

Deborah A. Gearhart, Director
Finance & Administration

Phillip Stoddard, Interim Director
Michigan Public School Employees' Retirement System

Advisors and Consultants

Actuary
The Segal Company
Michael J. Karlin, F.S.A., M.A.A.A.
New York, New York

Auditors
Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan

Andrews, Hooper & Pavlik P.L.C.
Jeffrey J. Fineis, C.P.A.
Lansing, Michigan

Investment Manager and Custodian
Douglas B. Roberts
State Treasurer
State of Michigan

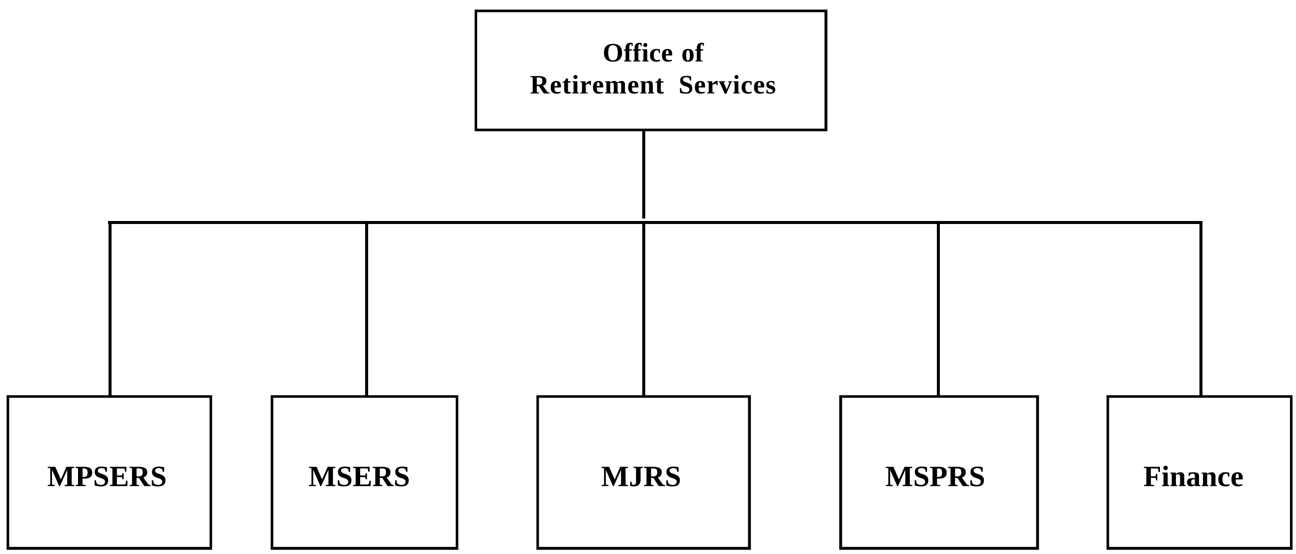
Legal Advisor
Frank J. Kelley
Attorney General
State of Michigan

Medical Advisors
Preferred Medical Assoc.
Marquette General Hospital

Investment Performance Measurement
S.E.I. Funds Evaluation
Chicago, Illinois

Administrative Organization

Organization Chart



MPSERS	-	Michigan Public School Employees' Retirement System
MSERS	-	Michigan State Employees' Retirement System
MJRS	-	Michigan Judges' Retirement System
MSPRS	-	Michigan State Police Retirement System

Michigan Public School Employees' Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 1997

FINANCIAL SECTION

MPSERS

Independent Auditors' Report

ANDREWS HOOPER & PAVLIK P.L.C.

One Michigan Avenue Building Suite 1000 • 120 North Washington Square • Lansing, Michigan 48933

Ms. Janet Phipps, Director
Department of Management and Budget

Mr. Thomas H. McTavish, CPA
Auditor General State of Michigan

Michigan Public School Employees
Retirement System Board:

We have audited the accompanying statements of pension plan and postemployment healthcare plan net assets of the Michigan Public School Employees Retirement System, as of September 30, 1997 and 1996, and the related statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the management of the Michigan Public School Employees Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets of the Michigan Public School Employees Retirement System, as of September 30, 1997 and 1996, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

As described in Notes 2 and 4, Michigan Public School Employees Retirement System adopted GASB Statements 25, 26 and 28 in 1997 and restated amounts reported for 1996 as required.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information and supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The required supplementary information and supporting schedules are the responsibility of the System's management. Such information and schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 1998 on our consideration of the Michigan Public School Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts.

Andrews Hooper & Pavlik P.L.C.

February 6, 1998

Lansing 517 487-5000 • Fax 517 487-9535 / Saginaw 517 754-8471 • Fax 517 754-6567

Statements of Pension Plan and Postemployment Healthcare Plan Net Assets

	September 30, 1997			September 30, 1996		
	Pension Plan	Health Plan	Total	Pension Plan	Health Plan	Total
Assets:						
Cash	$122,999,885	$530,058	$123,529,943	$183,912,292	$875,753	$184,788,045
Receivables:						
Amounts due from employee	206,193	889	207,082			
Amounts due from employer	106,768,151	460,108	107,228,259	96,246,181	458,305	96,704,486
Interest and dividends	138,118,369	595,209	138,713,578	127,255,038	605,962	127,861,000
Sale of investments	32,438,211	139,790	32,578,001	85,877,262	408,930	86,286,192
Total receivables	277,530,924	1,195,996	278,726,920	309,378,481	1,473,197	310,851,678
Investments:						
Short term investments	2,471,179,113	10,649,338	2,481,828,451	1,616,369,524	7,696,820	1,624,066,344
Bonds, notes, mortgages and preferred stock	7,609,634,958	32,793,079	7,642,428,037	7,344,853,059	34,974,683	7,379,827,742
Common stock	14,169,931,065	61,064,121	14,230,995,186	10,832,473,305	51,582,014	10,884,055,319
Real estate	1,894,909,032	8,165,950	1,903,074,982	1,544,018,758	7,352,300	1,551,371,058
Alternative investments	1,966,190,781	8,473,133	1,974,663,914	1,733,901,658	8,256,484	1,742,158,142
International investments	1,605,612,241	6,919,250	1,612,531,491	1,065,433,809	5,073,377	1,070,507,186
Collateral on loaned securities	1,107,703,717	4,773,556	1,112,477,273	599,577,855	2,855,067	602,432,922
Total investments	30,825,160,907	132,838,427	30,957,999,334	24,736,627,968	117,790,745	24,854,418,713
Equipment (net of depreciation)	1,810	8	1,818	3,620	17	3,637
Total assets	31,225,693,526	134,564,489	31,360,258,015	25,229,922,361	120,139,712	25,350,062,073
Liabilities:						
Warrants outstanding	(10,031,497)	(43,230)	(10,074,727)	(13,388,860)	(63,755)	(13,452,615)
Accounts payable and other accrued liabilities	(106,013,358)	(456,856)	(106,470,214)	(163,919,201)	(780,550)	(164,699,751)
Deferred revenue	(86,155)	(370)	(86,525)	(22,513)	(107)	(22,620)
Obligations under securities lending	(1,107,703,717)	(4,773,556)	(1,112,477,273)	(599,577,855)	(2,855,067)	(602,432,922)
Total liabilities	(1,223,834,727)	(5,274,013)	(1,229,108,739)	(776,908,429)	(3,699,479)	(780,607,908)
Net Assets Held in Trust for Pension and Healthcare Benefits*	$30,001,858,799	$129,290,477	$30,131,149,276	$24,453,013,932	$116,440,233	$24,569,454,165

*A schedule of funding progress is presented on page 29.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

	September 30, 1997			September 30, 1996		
	Pension Plan	Health Benefits	Total	Pension Plan	Health Plan	Total
Additions:						
Members contributions:						
Other	$251,253,698	$25,219,853	$276,473,551	$253,105,332	$23,966,625	$277,071,957
Military	2,104,592		2,104,592	1,980,616		1,980,616
Employer contributions:						
Undistributed receipts and other	790,726		790,726	1,294		1,294
Colleges, universities and federal	68,807,930	23,409,765	92,217,695	64,441,033	21,865,416	86,306,449
School districts and other	835,218,857	294,046,018	1,129,264,875	765,159,368	259,340,981	1,024,500,349
Investment income:						
Investment income	5,753,912,076		5,753,912,076	3,297,172,158		3,297,172,158
Securitites lending income	40,667,645		40,667,645	28,675,936		28,675,936
Less investment expenses:						
Real estate operating expenses	(1,045,076)		(1,045,076)	(5,660,600)		(5,660,600)
Securities lending expenses	(39,321,794)		(39,321,794)	(27,711,210)		(27,711,210)
Other investment expenses	(6,921,177)		(6,921,177)	(5,110,423)		(5,110,423)
Miscellaneous income	892		892			
Total additions	6,905,468,369	342,675,636	7,248,144,005	4,372,053,504	305,173,022	4,677,226,526
Deductions:						
Benefits and refunds paid to plan members and beneficiaries:						
Retirement benefits	1,317,828,100		1,317,828,100	1,268,260,318		1,268,260,318
Health benefits		271,980,970	271,980,970		236,151,335	236,151,335
Dental/vision benefits		36,048,746	36,048,746		29,247,750	29,247,750
Refund of member contributions	17,835,511	45,539	17,881,050	11,619,500	59,336	11,678,836
Transfers to other systems	23,552		23,552	19,209		19,209
Administrative expenses	12,102,095	30,584,381	42,686,476	10,381,801	31,451,867	41,833,668
Total deductions	1,347,789,258	338,659,636	1,686,448,894	1,290,280,828	296,910,288	1,587,191,116
Net Increase	5,557,679,111	4,016,000	5,561,695,111	3,081,772,676	8,262,734	3,090,035,410
Other Changes in Net Assets						
Interest allocation	(8,834,244)	8,834,244		(17,171,997)	17,171,997	
Net Increase After Other Changes	5,548,844,867	12,850,244	5,561,695,111	3,064,600,679	25,434,731	3,090,035,410
Net Assets Held in Trust for Pension and Healthcare Benefits:						
Beginning of Year	24,453,013,932	116,440,233	24,569,454,165	21,388,413,253	265,505,502	21,653,918,755
Equity transfers to other funds					(174,500,000)	(174,500,000)
End of Year	$30,001,858,799	$129,290,477	$30,131,149,276	$24,453,013,932	$116,440,233	$24,569,454,165

The accompanying notes are an integral part of these financial statements.

Notes to General Purpose Financial Statements

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPSERS was established to provide retirement, survivor and disability benefits to the public school employees. There are 733 participating employers. A list of employers starts on page 59 in the statistical section. MPSERS is a qualified trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern, Central, Northern, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems. The Department Director appoints the Office Director who serves as Executive Secretary to the MPSERS' Board, with whom the general oversight of the retirement system resides. The State Treasurer serves as the investment officer and custodian for the system. Public Act 488 of 1996, made changes in the membership of the MPSERS' Board. These changes added two members on January 1, 1997 and will add two more members on March 31, 1998.

MEMBERSHIP

At September 30, 1997, and 1996, the System's membership consisted of the following.

Retirees and beneficiaries currently receiving benefits:	**1997**	**1996**
Regular benefits	98,360	94,570
Survivor benefits	9,520	9,090
Disability benefits	3,962	3,805
Total	111,842	107,465
Current employees:		
Vested	122,302	121,878
Non-vested	173,389	173,218
Total	295,691	295,096
Inactive employees entitled to benefits and not yet receiving them	9,890	9,560
Total All Members	417,423	412,121

Enrollment in the health care fund is voluntary. The number of plan participants are as follows.

Health/Dental/Vision Plan	**1997**	**1996**
Eligible participants	111,842	107,465
Participants receiving benefits	95,148	92,948

Notes to General Purpose Financial Statements

BENEFIT PROVISIONS

Introduction

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. MPSERS also provides disability and survivor benefits.

A member who leaves Michigan Public School employment may request a refund of his or her member contribution account. Returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Under the Public School Employees' Retirement Act, all retirees have the option of continuing health, dental and vision coverage. The employer funds health benefits on a pay-as-you-go basis. Retirees with this coverage contribute a portion of the monthly premium amount.

Regular Retirement

The retirement benefit is based on a member’s years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, the averaging period is 36 consecutive months. For a Basic Plan member this period is the 60 consecutive months yielding the highest total wages. A pension is payable monthly for the lifetime of a retiree and equals 1.5% of a member’s final average compensation multiplied by the total number of years of credited service.

A Member Investment Plan member may retire at:

1. any age with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service; or
3. age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Basic Plan member may retire at:

1. age 55 with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

1. after completing at least 15 but less than 30 years of credited service; and
2. after attaining age 55; and
4. with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Notes to General Purpose Financial Statements

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of Weekly Worker's Compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the system for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one the the follow options.

<u>Single Life Pension Option 1</u> — Option 1 pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

<u>Survivor options (Options 2, 2-E, 3, and 3-E)</u> — Under the Survivor Options 2, 2-E, 3, and 3-E, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary pre-deceases a retiree, the pension will revert to either the Option 1 or 1-E amount ("pop-up" provision).

<u>Option 2</u> — (100% Survivor Pension) pays a reduced pension to a retiree. The month after a retiree's death the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

<u>Option 3</u> — (50% Survivor Pension) pays a reduced pension to a retiree. The month after a retiree's death, one-half of the Option 3 amount will be paid to the designated beneficiary for the remainder of his or her lifetime.

<u>Equated Plan</u> — The equated plan may be combined with Option 1, 2, or 3 by any member under age 61 except a disability applicant. The equated plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than Option 1, 2, or 3 alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The MPSERS pension until age 62 should be about the same as the combined MPSERS pension and Social Security after age 62.

Notes to General Purpose Financial Statements

The before-age-62 and after-age-62 amounts used in the Equated Plan are based on an estimated age 62 Social Security benefit table provided by the actuary. The actual projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the Retirement System may also be used in the Equated Plan calculation. MPSERS estimates the Social Security pension by using the retiring member's final average earnings, age at retirement and only service performed as a public school employee under this Retirement System. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under Option 2-E or 3-E will receive the Option 2 or 3 amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan participant has 10 years of credited service or, if age 60 or older, five years. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, 10 years. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or a parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, MPSERS begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Worker's Compensation is being paid to the eligible beneficiary due to the member's death. The spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with an Option 2 (l00% survivor pension factor). If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post Retirement Adjustments

Member Investment Plan (MIP) recipients receive an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan recipients receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

On January 1, 1990, pre-October 1, 1981, retirees received an increase that ranged from 1% to 22% depending on pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

One time upward adjustments were made in 1972, 1974, 1976, and 1977 for retirees who retired on or after July 1, 1956, and were eligible for Social Security benefits. (Social Security coverage was enacted by referendum in 1956.) The minimum base pension of retirees who were unable to qualify for Social Security through their public school employment (essentially pre-July 1, 1956 retirees), was increased in 1965, 1971, 1972, 1974, and 1981 with a percentage increase granted in 1976 and 1977.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987 when the MIP was enacted.

Notes to General Purpose Financial Statements

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Employer Contributions

The system implemented new employer contributions procedures as a result of implementing the effects of the school finance reform act. Under these new procedures, each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. In prior years each shcool district or reporting entity contributed 5% of gross wages, with additional amounts from community college, higher educational institutions and federal programs. A chart showing the employer contribution rates is included on page 30 of this report.

Other Post Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significiant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Public Act 180 of 1996 also authorized payments to the school districts as a one time $174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

Dependents are eligible for 90% employer paid health benefit coverages (partial payment for dependents of deferred vested members who had 21 or more years of service).

The number of plan participants and other revelant financial information is as follows:

Health, Dental and Vision Plan:	**1997**	**1996**
Eligible participants	111,842	107,465
Participants receiving benefits	95,148	92,948
Expenses for the year	$338,659,636	$296,910,288
Payroll contribution rate	3.95%	3.63%

Notes to General Purpose Financial Statements

The only requirements for health benefits are that the retiree or beneficiary make application and be in receipt of a monthly pension. Applications for enrollment after retirement are accepted anytime during the year, with coverage effective six months following the receipt of the application.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

MPSERS financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue in the period in which employees provide service. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Reserves

Reserve for Employees' Contributions — Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Employers' Contribution Reserve representing unclaimed funds. At September 30, 1997, and 1996, the balance in this account was $907 million and $801 million respectively.

Reserve for Member Investment Plan — This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 1997, and 1996, the balance in this account was $1.9 billion and $1.8 billion respectively.

Reserve for Employer Contributions — All reporting unit contributions, except payments for health benefits, are credited to this reserve. Interest from the Reserve for Undistributed Investment Income account is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to fully fund that reserve. At September 30, 1997, and 1996, the balance in this account was $2.9 billion and $3.1 billion respectively.

Reserve for Retired Benefit Payments — This represents the reserves for payment of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to fully fund this reserve. At September 30, 1997, and 1996, the balance in this account was $14.3 billion and $13.2 billion respectively.

Reserve for Undistributed Investment Income and Reserve for Administrative Expenses — The Reserve for Undistributed Investment Income account is credited with all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the retirement system are paid from the Reserve for Administrative Expense, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve. At September 30, 1997, and 1996, the balance in this account was $9.9 billion and $5.4 billion respectively.

Reserve for Health Benefits — This fund is credited with employee and employer contributions for retirees' health, dental and vision benefits. Health, dental and vision benefits are paid from this fund. The retirement system pays 90% of the monthly premium, membership, or subscription fee for health, dental, vision and hearing benefits. At September 30, 1997, and 1996, the balance in this account was $129.3 million and $116.4 million respectively.

Fair Value of Investments

Plan investments are reported at fair value, except for short-term investments. Short-term investments are carried at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future

Notes to General Purpose Financial Statements

principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments that do not have an established market are recorded at estimated fair value.

Reporting Entity

MPSERS is a pension trust fund of the State of Michigan. As such, MPSERS is considered part of the State and is included in the State's comprehensive annual financial report as a pension trust fund. MPSERS and the MPSERS' board are not financially accountable for any other entities or other organizations. Accordingly, MPSERS is the only entity included in this financial report.

Investment Income

Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Plan Net Assets. Such assets are depreciated on a straight line basis over 10 years.

Related Party Transactions

Leases and services — The retirement system leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The following summarizes costs incurred by MPSERS for such services.

	1997	1996
Building rentals	$ 287,423	$ 184,878
Administrative services	861,848	457,788
Data processing services	1,672,588	2,289,013

Common Cash — The cash account includes $123,529,943 and $184,788,045 on September 30, 1997, and 1996, respectively, which represents funds deposited in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to $7,959,886 and $10,490,455 for the years ended September 30, 1997, and 1996, respectively.

Effect of change in accounting principle

During fiscal year 1997, MPSERS adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. GASB Statements 25 and 26 establish the financial reporting framework for pension plans. The framework includes fair value accounting for investments (recognition of unrealized investment gains and losses), amortization of unfunded actuarial liabilities over 40 years, and requires certain additional disclosures regarding postemployment healthcare benefits.

Notes to General Purpose Financial Statements

The provisions of GASB Statement No. 25 and 26 require restatement of the prior year balances for the effect of changing from reporting investments at cost to reporting investments at fair value. The effect of the change in accounting principle on the net assets held in trust for pension benefits and postemployment healthcare benefits as of September 30, 1995, is shown below.

	Pension	Health	Total
September 30, 1995 Net assets held in trust for benefits, as previously reported	$ 17,983,247,815	$ 223,235,412	$ 18,206,483,227
Cumulative effect of change in accounting principle	3,405,165,438	42,270,090	3,447,435,528
September 30, 1995, Net assets held in trust, for benefits as restated	$ 21,388,413,253	$ 265,505,502	$ 21,653,918,755

Reclassification of Prior Year Amounts

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE 3 - CONTRIBUTIONS

Contributions

The majority of MPSERS members currently participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature.

Employer contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The contribution rate for unfunded service rendered before the valuation date, the unfunded actuarial accrued liability contribution rate, is amortized over a period of 40 years (39 years remaining).

Actual employer contributions for retirement benefits were $904,165,262 and $829,600,401 representing 11.3% and 10.6% of reported annual payroll, for the years ended September 30, 1997, and 1996, respectively. Required employer contributions for pensions included:

1. $923,480,135 and $898,870,863 for fiscal years 1997 and 1996, respectively, for normal cost of pensions representing 11.83% and 11.88%, respectively, of annual covered payroll.

2. $251,805,561 and $259,060,715 for fiscal years 1997 and 1996, respectively, for amortization of unfunded actuarial liability, representing 3.23% and 3.42%, respectively, of annual covered payroll.

The above contribution rates total 15.06% and 15.30% for fiscal years 1997 and 1996, respectively. The total required employer contribution rate was 10.97% and 11.21% for fiscal years 1997 and 1996, respectively, of annual covered payroll. The total required member contribution rate was 4.09% and 4.09% for fiscal years 1997 and 1996, respectively, of annual covered payroll.

The System is required to reconcile with actuarial requirements annually. Any funding excess or deficiency is included in the subsequent years contribution, and is not recognized as a payable or receivable in the accounting records. Based on this reconciliation and other adjustments, the differences are smoothed over 5 years.

Notes to General Purpose Financial Statements

NOTE 4 - INVESTMENTS

Investment Authority

Under Public Act 380 of 1965, as amended, the authority for the purchase and the sale of investments resides with the State Treasurer. Investments are made subject to the Michigan Public Pension Investment Act, Public Act 314 of 1965, as amended. The Michigan Public Pension Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stock, corporate and government bonds and notes, mortgages, real estate, and certain short term and alternative investments. Investments must be made for the exclusive purposes of providing benefits to active members, retired members and beneficiaries, and of defraying the expenses of investing the assets.

Under Public Act 314 of 1995, as amended, up to 5% of the system's assets in alternative investments and up to 15% of the system's assets in investments not otherwise qualified under Act 314. Alternative investments include limited partnerships and distributions from these partnerships in the form of bonds, preferred stock and common stock.

Derivatives

The State Treasurer does not employ the use of derivatives in the investment of the Common Cash or the investment of trust funds other than the pension trust funds.

Derivatives are used for a small amount of the pension trust fund portfolios. However, derivatives are not used for speculation and they are not used to leverage the investment portfolios. Less than 6% of the total pension trust fund's portfolio has been invested from time to time in futures contracts, collateralized mortgages and swap agreements. Swap agreements represent the largest category of derivatives used and represent approximately 5.4% of the total portfolio at market values.

To further diversity the pension fund's portfolio into international equities, the State Treasurer has entered into swap agreements with AAA rated counterparties which are tied to stock market indices in seventeen foreign countries. The notional amounts of the swap agreements at September 30, 1997, and 1996, were $1,340.6 million and $957.6 million, respectively. One half of the notional amount is hedged against foreign currency fluctuations. The swap agreements provide the retirement systems will pay quarterly, over the term of the swap agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At the maturity of the swap agreements the pension fund will either receive the increase in the value of the international equity indices from the level of the indices at the inception of the agreements, or pay the decrease in the value of the indices. Swap agreement maturities range from January 1998 to December 2000.

U. S. domestic LIBOR based floating rate notes were purchased in the open market to correspond approximately with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these notes. The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes. The current value represents the current value of the notes and the change in value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based upon the intention to hold all swap agreements until maturity.

The respective September 30, 1997 and 1996 values are as follows:

	Notional Amount	Book Value	Current Value
9/30/97 (dollars in millions)	$1,340.6	$1,327.6	$1,612.5
9/30/96 (dollars in millions)	957.6	954.8	1,070.5

Notes to General Purpose Financial Statements

Investments Exceeding 5% of Plan Net Assets

MPSERS did not hold an individual investment (other than U.S. Government securities) that exceeded 5% of net assets available for benefits at September 30, 1997 or 1996.

Securities Lending

In May 1995, GASB issued Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions.* The statement established accounting and financial reporting standards for recognizing assets and liabilities arising from collateralized securities' lending transactions in which governmental entities (lenders) transfer their securities to broker-dealers and other entities (borrowers). MPSERS adopted the provisions of this standard for the year ended September 30, 1997. Comparative amounts for fiscal year 1996 have been restated to reflect this change. The effect of this change has increased the total assets and total liabilities of the system as of September 30, 1997 and 1996 by $1,112,477,273 and $602,432,922 respectively.

State statues allow the retirement system to participate in securities lending transactions, and the retirement system has, via a Securities Lending Authorization Agreement, authorized its agent bank, State Street Bank & Trust Company (State Street), to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, the agent lent, at the direction of the retirement system, the retirement system's securities and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States; 105% of the market value of the loaned securities.

The retirement system did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank. State Street is not liable for any losses unless there is negligence or willful misconduct on its part.

During the fiscal year, the retirement system and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 1997, such investment pool had an average duration of 53 days and an average weighted maturity of 55 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On September 30, 1997, the retirement system had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the retirement system as of September 30, 1997, were $1,117,745,106 and $1,086,413,046 respectively. The types of securities included in these amounts were as follows:

USD Market Value of	Cash	Securities	Letter of Credit	Total
Collateral	$ 1,112,477,273	$ 4,968,186	$ 299,647	$ 1,117,745,106
Loaned Securities	1,081,373,549	4,813,334	226,163	1,086,413,046

Gross income from security lending for the fiscal year was $40,667,645. Expenses associated with this income amounted to $38,657,217 for the borrower's rebate and $664,577 for fees paid to the agent.

Notes to General Purpose Financial Statements

Categories of Investment Risk

Investments made by the fund, including repurchase agreements and information concerning reverse repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk in three categories.

Category 1 includes investments insured, registered, or held by MPSERS' or its agent in MPSERS' name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in MPSERS' name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or agent, but not in MPSERS' name.

At September 30, 1997, all investments of the pension trust fund were classified as Category 1, except for certain investments not categorized.

The following table summarizes the investments at market value:

Category 1	
Prime Commercial Paper	$ 1,954,462,296
Short Term Note	527,366,155
Government Securities	3,823,912,591
Corporate Bonds & Notes	2,917,257,555
Convertible Bonds	14,544,496
Preferred Stock	419,711
Equities	13,730,558,820
Real Estate	208,291,676
Alternative Investments	96,277,818
Derivatives (International)	1,612,531,491
Total Category 1	$ 24,885,622,609
Non-Categorized	
Private Placements	$ 126,539,374
Mortgages	178,817,127
Real Estate	1,694,783,306
Alternative Investments	1,878,386,096
Cash Collateral	1,112,477,273
Securities on Loan:	
Government Securities	576,966,259
Corporate Bonds & Notes	3,970,924
Equities	500,436,366
Total Non-Categorized	$ 6,072,376,725
Grand Total	$ 30,957,999,334

As of September 30, 1996, the market value of the Category 1 and Non-categorized investments was $19,748,906,728 and $5,105,511,985 respectively.

Notes to General Purpose Financial Statements

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Under the Administrative Procedures Act, members may appeal a decision made by the Board. Once the administrative procedure has been exhausted, the decision may be appealed in Michigan's court system.

The majority of the administrative cases pending at September 30, 1997, or filed subsequent to fiscal year end, seek reversal of a denial of duty or non-duty disability. Various cases that have exhausted the administrative procedures have been appealed in the court system. These cases are in the normal course of business and the retirement system does not anticipate any material loss as a result of the contingent liabilities.

NOTE 6 — SUBSEQUENT EVENTS

Public Act 143 of 1997 was effective November 19, 1997. Under this act, the actuarial value of assets was set at market at September 30, 1997, with the 5 year smoothing of investment gains or losses to be applied prospectively. Also, the inflation component of the salary scale was reduced from 5% to 4%. A stablization subaccount was established to which any overfunding is to be credited.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing MPSERS members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program is scheduled for implementation in school year 98-99.

Required Supplementary Information

Schedule of Funding Progress

Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of MPSERS funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of MPSERS progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Retirement Benefits ($ in Millions)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1988	$ 11,823	$ 14,029	$ 2,206	84.3 %	$ 5,248	42.0 %
1989*	12,971	14,382	1,411	90.2	5,403	26.1
1990	13,746	15,766	2,020	87.2	5,818	34.7
1991	14,653	18,032	3,379	81.3	6,248	54.1
1992	15,333	19,563	4,230	78.4	6,592	64.2
1993#	16,999	21,699	4,700	78.3	7,070	66.5
1994	18,503	23,500	4,997	78.7	7,344	68.0
1994@	18,503	25,014	6,511	74.0	7,344	88.7
1995	20,455	27,402	6,947	74.6	7,565	91.8
1996	22,529	28,571	6,042	78.9	7,807	77.4
1997	25,485	30,179	4,694	84.4	8,027	58.5
1997**	30,051	29,792	(259)	100.9	8,027	(3.2)

* Benefits changes and revised actuarial assumptions.
\# Revised asset valuation method
@ Revised actuarial assumptions
** Revised actuarial assumptions and revised asset valuation method

Required Supplementary Information

Schedule of Employer Contributions

Fiscal Year Ending Sept. 30	Actuarial Required Contribution (ARC)	Percentage Contributed
1988	$ 396,246,650	115.18 %
1989	432,812,340	98.11
1990	448,009,100	105.38
1991	503,604,920	99.82
1992	572,914,320	93.04
1993	635,531,820	96.33
1994	630,940,900	128.34
1995	810,994,850	95.01
1996	866,813,250	95.71
1997	880,561,900	102.66

Notes to Required Supplemental Infomation

NOTE A - DESCRIPTION

Ten year historical trend information designed to provide information about MPSERS progress made in accumulating sufficient assets to pay benefits when due is presented in the preceeding schedules. Other ten year historical trend information related to the pension plan is presented in the statistical and actuarial sections of the report. This information is presented to enable the reader to assess the progress made by MPSERS in accumulating sufficient assets to pay pension benefits as they become due.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

The Schedule of Funding Progress and Schedule of Employer Contributions are reported as historical trend information. The Schedule of Funding Progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedule of Employer Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the retirement system on a sound financial basis.

NOTE B - SUMMARY OF ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	09/30/97
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	39 years
Asset Valuation Method	5-Year Smoothed Market, but reset to Market Value as of September 30, 1997
Actuarial Assumptions:	
Inflation Rate	4%
Investment Rate of Return	8%
Projected Salary Increases	4-16%
Cost-of-Living Adjustments	3% annual non-compounded for MIP members

Supporting Schedules

Comparative Summary Schedule of Pension Plan Administrative Expenses Year Ended September 30, 1997 and 1996

	1997	1996
Personnel Service:		
Staff salaries	$ 3,335,232	$ 3,070,618
Retirement and social security	801,833	723,512
Other fringe benefits	517,703	485,176
Total	4,654,768	4,279,306
Professional Services:		
Actuarial	114,743	130,109
Accounting, records management and mail	1,008,881	582,734
Data processing	1,672,588	2,289,013
Attorney general	110,957	116,733
Audit	36,638	60,421
Medical	74,571	44,924
Medical insurance research	434,067	482,178
Total	3,452,445	3,706,112
Building and Equipment:		
Building rentals	287,423	184,878
Equipment purchase, maintenance and rentals	313,244	109,630
Depreciation	1,818	1,818
Total	602,485	296,326
Miscellaneous:		
Customer Information Center	88,230	0
Office administrative support	250,442	148,508
Department administrative support	861,848	457,788
Travel and board meetings	60,640	52,172
Postage, telephone and other	2,131,237	1,441,589
Total	3,392,397	2,100,057
Total Administrative Expenses	$ 12,102,095	$ 10,381,801

Supporting Schedules (Continued)

Schedule of Investment Expenses

	1997	1996
Real Estate	$ 1,045,076	$ 5,660,600
Securities Lending Expense	39,321,794	27,711,210
Other Investment Expenses	6,921,177	5,110,423
Total Investment Expenses	$ 47,288,047	$ 38,482,233

Payments to Consultants

	1997	1996
Independent Auditors	$ 36,887	$ 60,421
Medical Advisor	37,175	44,924
Actuary	107,203	130,109
Total Payments	$ 181,265	$ 235,454

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)

For Year Ending September 30, 1997

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions:							
Members contributions:							
Other	$ 38,824,188	$212,429,510				$25,219,853	$276,473,551
Military	2,104,592						2,104,592
Employer contributions:							
Undistributed receipts and other			$138,475		$652,251		790,726
Colleges, universities and federal			68,807,930			23,409,765	92,217,695
School districts and other			835,218,857			294,046,018	1,129,264,875
Investment income:							
Investment income					5,753,912,076		5,753,912,076
Securitites lending income					40,667,645		40,667,645
Less investment expenses:							
Real estate operating expenses					(1,045,076)		(1,045,076)
Securities lending expenses					(39,321,794)		(39,321,794)
Other investment expenses					(6,921,177)		(6,921,177)
Miscellaneous income					892		892
Total additions	40,928,780	212,429,510	904,165,262		5,747,944,817	342,675,636	7,248,144,005
Deductions:							
Benefits and refunds paid to plan members and beneficiaries							
Retirement benefits				$1,317,828,100			1,317,828,100
Health benefits						271,980,970	271,980,970
Dental/vision benefits						36,048,746	36,048,746
Refund of member contributions	2,518,641	9,016,685	6,296,281	3,904		45,539	17,881,050
Transfers to other systems	23,552						23,552
Administrative expenses					12,102,095	30,584,381	42,686,476
Total deductions	2,542,193	9,016,685	6,296,281	1,317,832,004	12,102,095	338,659,636	1,686,448,894
Net Increase	38,386,587	203,412,825	897,868,981	(1,317,832,004)	5,735,842,722	4,016,000	5,561,695,111
Other Changes in Net Assets:							
Interest allocation	150,820,491	33,390,460	135,224,424	958,194,685	(1,286,464,304)	8,834,244	
Transfers upon retirement	(83,251,016)	(104,363,237)		187,614,253			
Transfers of employer shares			(1,228,648,898)	1,228,648,898			
Total other changes in net assets	67,569,475	(70,972,777)	(1,093,424,474)	2,374,457,836	(1,286,464,304)	8,834,244	
Net Increase (Decrease) After Other Changes	105,956,062	132,440,048	(195,555,493)	1,056,625,832	4,449,378,418	12,850,244	5,561,695,111
Net Assets Held in Trust for Pension and Healthcare Benefits:							
Beginning of Year	800,863,385	1,849,876,361	3,063,303,396	13,289,512,661	5,449,458,129	116,440,233	24,569,454,165
Equity transfers to other funds							
End of Year	$ 906,819,447	$1,982,316,409	$2,867,747,903	$14,346,138,493	$ 9,898,836,547	$129,290,477	$30,131,149,276

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)

For Year Ending September 30, 1996

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions							
Members contributions:							
Other	$37,763,694	$215,341,638				$23,966,625	$277,071,957
Military	1,980,616						1,980,616
Employer contributions:							
Undistributed receipts and other					$1,294		1,294
Colleges, universities and federal			$64,441,033			21,865,416	86,306,449
School districts and other			765,159,368			259,340,981	1,024,500,349
Investment income:							
Investment income					3,297,172,158		3,297,172,158
Securitites lending income					28,675,936		28,675,936
Less investment expenses:							
Real estate operating expenses					(5,660,600)		(5,660,600)
Securities lending expenses					(27,711,210)		(27,711,210)
Other investment expenses					(5,110,423)		(5,110,423)
Miscellaneous income							
Total additions	39,744,310	215,341,638	829,600,401		3,287,367,155	305,173,022	4,677,226,526
Deductions:							
Benefits and refunds paid to plan members and beneficiaries							
Retirement benefits				$1,268,260,318			1,268,260,318
Health benefits						236,151,335	236,151,335
Dental/vision benefits						29,247,750	29,247,750
Refund of member contributions	2,251,963	5,985,364	3,382,173			59,336	11,678,836
Transfers to other systems	9,514	9,695					19,209
Administrative expenses					10,381,801	31,451,867	41,833,668
Total deductions	2,261,477	5,995,059	3,382,173	1,268,260,318	10,381,801	296,910,288	1,587,191,116
Net Increase (Decrease)	37,482,833	209,346,579	826,218,228	(1,268,260,318)	3,276,985,354	8,262,734	3,090,035,410
Other Changes in Net Assets:							
Interest allocation	36,993,043	98,576,972	151,759,498	882,099,360	(1,186,600,870)	17,171,997	
Transfers upon retirement	(96,960,356)	(81,762,112)		178,722,468			
Transfers of employer shares			(1,387,094,233)	1,387,094,233			
Total other changes in net assets	(59,967,313)	16,814,860	(1,235,334,735)	2,447,916,061	(1,186,600,870)	17,171,997	
Net Increase (Decrease) After Other Changes	(22,484,480)	226,161,439	(409,116,507)	1,179,655,743	2,090,384,484	25,434,731	3,090,035,410
Net Assets Held in Trust for Pension and Healthcare Benefits:							
Beginning of Year	823,347,865	1,623,714,922	3,472,419,903	12,109,856,918	3,359,073,645	265,505,502	21,653,918,755
Equity transfers to other funds						(174,500,000)	(174,500,000)
End of Year	$800,863,385	$1,849,876,361	$3,063,303,396	$13,289,512,661	$5,449,458,129	$116,440,233	$24,569,454,165

Michigan Public School Employees' Retirement System

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 1997

INVESTMENT SECTION

MPSERS

Report on Investment Activity

INVESTMENT POLICY GOAL

The function of the MPSERS is to provide retirement, survivor and disability benefits to its members. The State Treasurer is the sole investment fiduciary and custodian of the investments pursuant to State law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment rate of return, at a reasonable cost achieved by cultivating a motivated team of dedicated professionals.

STATE LAW

Pursuant to State Law (Section 91 of Act No. 380 of the Public Acts of 1965, as amended), the State Treasurer, State of Michigan, is the investment fiduciary for the following four State sponsored retirement systems: Michigan Public School Employees' Retirement System; Michigan State Employees' Retirement System; Michigan State Police Retirement System; and Judges' Retirement System.

The aforementioned State Law created an Investment Advisory Committee comprised of the Director of the Department of Consumer & Industry Services, the Director of the Department of Management & Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The committee meets quarterly and reviews investments, goals, and objectives, and may submit recommendations to the State Treasurer. The Investment Advisory Committee may also, by a majority vote, direct the State Treasurer to dispose of any holdings which, in the committee's judgement, are not suitable for the funds involved, and may, by unanimous vote, direct the State Treasurer to make specific investments.

Act No. 314 of the Public Act of 1965, as amended, authorizes the investment of assets of public employee retirement systems or plans created and established by the state or any political subdivision.

PROXY VOTING POLICY

The MPSERS Proxy Voting Policy sets forth directives on the following issues: Board of Directors, Corporate Governance, and Social Issues, corporate restructurings and defenses. All proxies are reviewed and voted in accordance with the above mentioned items.

INVESTMENT RESULTS

Total Portfolio Result

For the fiscal year ended September 30, 1997, the total portfolio returned 23.6%, compared to the median of 22.7% of state plans including MPSERS compiled by SEI Funds Evaluations. For the three year period the fund returned 18.5% and for the five year period the fund returned 13.8%. This compares with the median fund return of 17.2% for the three year period and 13.2% for the five year period.

During the fiscal year ending September 30, 1997, the nation's economy was characterized by full employment, low inflation, stable interest rates and moderate economic growth. The equity market again experienced excellent returns as the S&P 500 returned 40.5% with the Dow Jones Industrial Average returning 37.7%. With a relatively stable interest rate environment, the Lehman Bros Government/Corporate bond index experienced a return of 9.6% and the Salomon Brothers Broad Grade Index experienced a return of 9.7%.

The returns were calculated using a time-weighted rate of return in accordance with standards of the Association for Investment Management and Research (AIMR) unless a modification is described in the discussion of the return.

Domestic Stocks

Domestic stock returns rose in fiscal year 1997 due to continued improvement in inflation coupled with rising corporate profitability. During this period, the domestic portfolio returned 39.7% compared with a return of 40.5% for the S&P 500 and a

Report on Investment Activity

37.7% return for the Dow Jones Industrial Average. For the most recent one year period, the market was paced by a 61.6% return on technology stocks followed by a 57.4% return on the financials and a 46.7% return on the energy sector.

Domestic equities currently represent 47.5% of the total portfolio with 37% of the total portfolio managed actively and 10.5% indexed. This compares with domestic equity exposure of 42.5% in 1995 and 35.7% in 1993.

International Equities

Passive exposure to international equity returns is achieved by investing in a combination of fixed income notes and equity swap agreements on foreign stock indices in developed markets. Interest on the dedicated notes is exchanged for international stock index returns, and the notional amount of the equity swap agreements is held in the approximate proportions of the Salomon Brothers Broad Market Index (BMI) Europe and Pacific Composite (EPAC) country weightings for the larger component countries. The passive investment program using swap agreements was established in 1993. During 1997, $110 million was invested in the combination structure, bringing international equity investments to 5.4% of the total portfolio.

The benchmark used to evaluate international equity returns is a custom version of the Salomon Brothers BMI-EPAC adjusted for net dividends. Fifty percent of the benchmark return is hedged to the U.S. dollar and the other 50% is impacted by local currency exchange rate changes. The composite international equity return of 18.1% in 1997, compared favorably with the Salomon BMI-EPAC return of 16.7%. The composite international equity return of 13.3% for 3 years, compared well with the Salomon BMI-EPAC return of 11.3% over the same period.

Fixed Income (excluding mortgages)

For the fiscal year ending September 30, 1997, 24.8% of the portfolio was invested in fixed income compared to 26.5% and 30.4% for fiscal year 1995 and 1993 respectively. The asset allocation objective is to invest 30% of the total portolio in fixed income. Two factors hampered the effort to achieve the 30% guideline.

With the decline in interest rates during the year, there was a substantial increase in the number of issues called. In addition, the continued dramatic growth in equity prices facilitated a further increase in the portfolio market value. While fixed income holdings grew by almost $690.8 million in real terms during fiscal 1997, the relative proportion of the total portfolio remained constant due to the significant number of issues called and the overall increase in the fund’s market value.

As the year progressed, rates declined and quality and maturity spreads narrowed. The fixed income focus was, therefore, on higher grade, shorter maturity issues. Even with the more defensive posture, the fixed income segment for bonds achieved a 10.3% return compared with a 9.7% return for the Salomon Brothers Broad Grade Index. This return ranked in the 27th percentile of the broad SEI universe. The three year annualized rate was 10.5% compared to 9.5% for the index and a 15th percentile ranking. For five years the rates were 7.7% and 7.0% for a 23rd percentile ranking.

Real Estate Equity

As of the year ending September 30, 1997, 6.4% of the total net assets were invested in equity real estate. This compares to 6.5% and 5.8% for the fiscal years ending September 30, 1995 and 1993, respectively. The asset allocation objective is to invest 7.5% of the total net assets in equity real estate. Due to the growth of the total pension fund size during the year, certain opportunistic timing of property sales and the receipt of funds from financed properties, the percentage of total equity real estate did not materially change from the 1995 levels.

The one-year, three-year and five-year total equity real estate net returns for the fiscal year ending September 30, 1997, were 14.9%, 11.1% and 5.9%, respectively. This compares to the National Council of Real Estate Investment Fiduciaries (NCREIF) roperty Index returns of 10.9%, 9.3% and 6.1% relating to the same time periods.

The real estate investments are broadly diversified geographically, across the country, and by type of property to reduce risk. The properties are regularly valued by independent appraisers to establish market values. The market values established by

Report on Investment Activity

the appraisers are utilized in computing the real estate portfolio appreciation return. The appreciation return coupled with the income return produced from the real estate holdings are utilized to derive the equity real estate portfolio total return.

Real Estate Debt (Mortages)

As of the year ending September 30, 1997, 0.6% of the total net assets were invested in mortgages. This compares to 3.0% and 3.9% for the fiscal years ending September 30, 1995 and 1993, respectively. The asset allocation objective is to reduce its mortgage holdings to 0% over time.

The one-year, three-year and five-year total returns for the mortgage portfolio, for the fiscal year ending September 30, 1997, were 7.8%, 8.8% and 7.7%, respectively. This compares to Salomon Brothers Broad Grade Index returns of 9.7%, 9.5% and 7.0% relating to the same time periods. Since the majority of the mortgage portfolio is federally insured mortgages, the returns generated by the mortgage portfolio are normally expected to be less than the index.

During the year, the majority of the mortgage portfolio was sold to take advantage of the favorable low interest rate environment the economy enjoyed and the resulting premium prices for the mortgages. The sale of the mortgages resulted in realized gains to the portfolio. Current mortgage holdings are mostly comprised of federally insured multifamily mortgages and a few multi-tenant commercial office buildings. The mortgage portfolio is geographically dispersed across the country and by property type to reduce risk. Mortgages are valued monthly based upon quotes obtained from Wall Street brokerage houses that buy and sell mortgages.

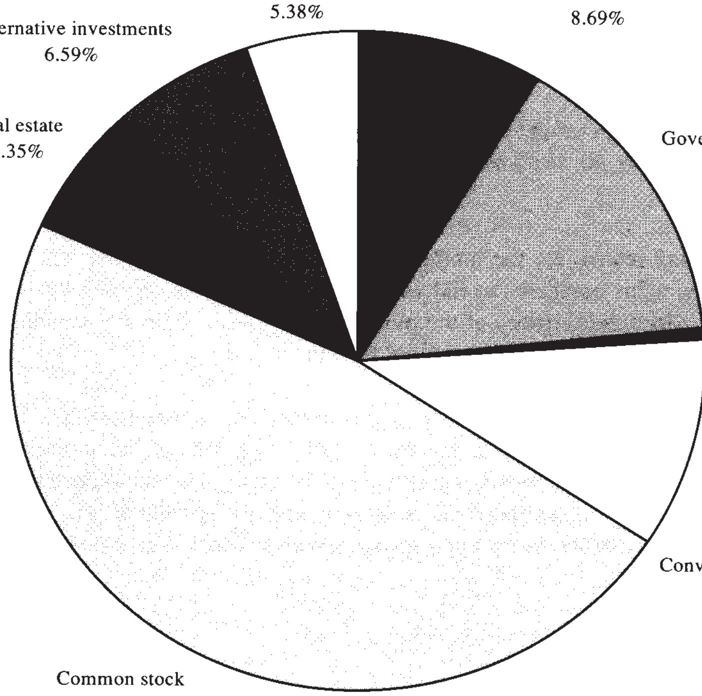
Alternative Investments Division

Alternative investments are investments in private equities. Through September 30, 1997, approximately 90% of those investments were made through limited partnerships. Of the investments in limited partnerships, approximately 7% were in partnerships investing internationally. The remaining 10% were direct private equity investments and public stock distributions received from the limited partnerships. The percentage of assets in alternative investments has consistently increased since 1993. As of September 30, 1997, 1995, and 1993, 6.6%, 5.9% and 4.8%, respectively, of total net assets were invested in alternative investments. The desired asset allocation for alternative investments for fiscal year 1997 was 7.5%. Due to the growth of the total pension fund's size during the year and the return of capital gains by the limited partnerships, the Alternative Investments Division was not able to meet this allocation target.

The one-year, three-year and five-year total alternative investments returns for the fiscal year ending September 30, 1997, were 16.5%, 21.9%, and 18.9%, respectively.

Report on Investment Activity

Asset Allocation



Investment Results Periods Ending September 30, 1997

Investment Category	Current Year	Annualized Rate of Return 3 Years	Annualized Rate of Return 5 Years
Total Portfolio	23.6 %	18.5 %	13.8 %
Median	22.7	17.2	13.2
Domestic Equities Stock - Active/Convertible	39.7	28.6	21.9
Domestic Equities Stock - Passive	40.0	29.9	21.3
Standard & Poor's (S&P 500)	40.5	29.9	20.8
International Equities	18.1	13.3	N/A
Net Salomon BMI - EPAC 50/50	16.7	11.3	N/A
Fixed Income Bonds (U.S. Corp and Govt)	10.3	10.5	7.7
Salomon Brothers Broad Grade Index	9.7	9.5	7.0
Real Estate - Debt	7.8	8.8	7.7
Salomon Brothers Broad Grade Index	9.7	9.5	7.0
Real Estate - Equity	14.9	11.1	5.9
NCREIF	10.9	9.3	6.1
Alternative Investments	16.5	21.9	18.9

Report on Investment Activity

Largest Assets Held

Largest Stock Holdings
September 30, 1997

Rank	Shares	Stocks	Market Value
1	6,576,937	General Electric Corporation	$ 447,646,063
2	2,577,640	Citicorp	345,243,946
3	2,512,908	Microsoft Corporation	332,490,396
4	4,314,766	Compaq Computer Corporation	322,528,759
5	3,288,732	Schlumberger Limited	276,871,770
6	2,851,723	Amco Corporation	274,834,804
7	5,736,811	McDonald's Corporation	273,215,624
8	7,391,724	Chrysler Corporation	272,111,536
9	6,536,254	Phillip Morris Companies Inc	271,666,325
10	2,224,809	Chase Manhattan Corporation	262,527,462

Largest Bond Holdings
September 30, 1997

Rank	Par Amount	Bonds & Notes	Market Value
1	$ 256,047,000	U.S. Treasury Bonds at 9.125% Due 5-15-2009	$ 295,572,975
2	320,719,700	U.S. Treasury 0% Callable Principle Due 11-15-2011	182,534,410
3	150,220,000	Morgan, J.P. FRN Due 3-13-2000	146,276,725
4	240,428,110	U.S. Treasury 0% Callable Principle Due 5-15-2011	141,306,813
5	82,621,000	U.S. Treasury 7.25% Due 5-15-2016	89,733,842
6	119,821,000	U.S. Treasury Tiger 14 0% Due 8-15-2004	78,575,017
7	75,110,000	FHLMC - Global 6.55% Due 11-13-2001	74,945,509
8	75,110,000	GMAC FRN Due 2-15-2000	74,888,426
9	75,110,000	First Union Corporation FRN Due 7-22-2003	74,750,223
10	75,110,000	FHLMC Debenture 6.51% Due 12-10-2001	74,734,450

A complete list of stock and bond holdings is available from the Michigan Department of Treasury.

Report on Investment Activity

Schedule of Investment Advisors & Commissions

The State Treasurer is the investment fiduciary and custodian of the retirement system's funds pursuant to state law. Outside advisors are utilized to augment the State Treasurer's internal staff in the real estate and alternative investment markets. Only 6.7% of the total investment portfolio is managed by fully discretionary outside advisors. Outside advisor's fees are netted against the partnership or trust fund income. The Michigan Department of Treasury's cost of operations applicable to the retirement system for the fiscal year amounted to $4.9 million or less than three basis points (.03%) of the average market value of the portfolio.

State law created an Investment Advisory Committee comprised of the directors of the Departments of Consumer and Industry Services and Management and Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The public members serve without pay, but are paid actual and necessary travel and other expenses. The committee meets quarterly to review investments, goals and objectives and may submit recommendations to the State Treasurer. The committee may also, by a majority vote, direct the State Treasurer to dispose of any holding which in the committee's judgment is not suitable for the fund involved, and may by unanimous vote direct the State Treasurer to make specific investments.

Schedule of Investment Advisors

	Assets Under Management at 9-30-97 (At Market)
Alternative Investments	
Kohlberg, Kravis & Roberts	$ 802,565,151
Hicks, Muse, Tate & Furst Inc.	146,606,452
Warburg, Pincus Counselors	64,309,587
Equity Institutional Investors, Inc.	55,462,450
Hancock Venture Partners	42,808,595
TPG Partners, L.P.	42,241,339
The Carlyle Group	30,884,760
Leonard Green & Partners, L.P.	28,266,142
The Foothill Groups	27,749,704
Kelso & Company	25,190,617
DLJ Merchant Banking Inc.	24,877,771
Accel Partners	24,632,688
Cypress Merchant Banking Partners	24,102,208
CIE Management II Limited	23,982,166
Advent International Corporation	23,042,864
Berkshire Parnters	22,662,447
Healthcare Investment Corporation	21,595,467
Menlo Ventures	18,097,329
Alternative Investments representing less than .06% of plan net assets	329,361,072
Total Alternative Investments	$ 1,778,438,809
Real Estate	
Raymond James Realty Advisors*	$ 464,326,250
Equitable Realty Portfolio Management*	256,225,518
L & B Real Estate Counsel*	177,675,395
Kensington Realty Advisors*	155,360,312
Aldrich, Eastman & Waltch, Inc.	116,495,021
KOLL Investment Management (dba KB Realty Advisors)*	76,135,898
Sentinel Realty Advisors	65,260,878
John Hancock Timber Resource Group	36,030,873
Real Estate representing less than .12% of plan net assets	87,541,545
Total Real Estate	$ 1,435,051,690
GRAND TOTAL	$ 3,213,490,499

* Advisor does not have full discretion.

Report on Investment Activity

Schedule of Investment Advisors & Commissions (Continued)

Schedule of Commissions

	Number of Shares Traded	Commissions Paid Fiscal Year Ended 9-30-97[1]	Average Commissions per Shares
Investment Performance Measurement Consultant:			
SEI Capital Resources Company			
(Directed brokerage included below)	611,020	$ 36,661	0.06
Investment Brokerage Firms:			
Paine Webber	8,807,660	$ 503,665	0.06
Bear Stearns	8,402,647	475,835	0.06
Salomon Brothers	7,123,507	387,197	0.05
Merrill Lynch	5,483,363	323,455	0.06
Morgan Stanley	4,090,490	236,523	0.06
Capital Inst. Service	3,641,633	218,498	0.06
Shroeder-Wertheim	3,370,862	194,288	0.06
Bernstein, Sanford	3,144,121	190,112	0.06
Smith Barney	3,136,188	185,162	0.06
Cowen & Company	3,075,520	184,123	0.06
Prudential Bache	2,847,294	162,047	0.06
First Boston	2,706,424	153,976	0.06
Bridge Trading Company	2,551,036	153,062	0.06
Donaldson, Lufkin	2,646,373	146,946	0.06
Goldman Sachs	2,569,275	142,130	0.06
Lehman	2,347,281	140,586	0.06
Citation	2,294,235	137,654	0.06
S & P Securities	2,159,112	129,547	0.06
Oppenheimer & Company	1,678,483	100,709	0.06
Wilshire Associates	1,574,456	94,467	0.06
Everen Securities	1,643,257	91,427	0.06
Deutch/Morgan/Greenfell	1,401,177	77,845	0.06
Witter, Dean/Reynolds	1,284,880	73,223	0.06
Cantor Fitzgerald	1,735,170	72,705	0.04
Montgomery Securities	932,400	53,567	0.06
Subtotal (25 highest)	80,646,844	$ 4,628,749	0.06[2]
All Other Brokerage Firms	5,925,164	351,448	0.06[3]
Total	86,572,008	$ 4,980,197	0.06[4]

(1) These amounts are included in purchase and sale prices of investments.
(2) The average commission rate per share for the top 25 brokerage firms.
(3) The average commission rate per share for all other brokerage firms, excluding the top 25 brokerage firm.
(4) The average commission rate per share for all brokerage firms.

Report on Investment Activity

Investment Summary

	1997 Market Value*	1997 Percent of Total Market Value	1996 Market Value	1996 Percent of Total Market Value
Fixed Income:				
Government Bonds	$ 4,400,878,850	14.68 %	$ 3,652,143,575	14.94 %
Corporate Bonds & Preferred Stocks	3,048,187,564	10.17	3,106,033,437	12.71
Convertible Bonds	14,544,496	0.05	13,961,211	0.06
Mortgages	178,817,127	.60	607,689,519	2.49
Total Fixed Income	$ 7,642,428,037	25.50 %	$ 7,379,827,742	30.20 %
Common Stocks	14,230,995,186	47.49	10,884,055,319	44.54
Real Estate	1,903,074,982	6.35	1,551,371,058	6.35
Alternative	1,974,663,914	6.59	1,742,158,143	7.13
International Equity	1,612,531,491	5.38	1,070,507,186	4.38
Short-Term Investments**	2,605,358,394	8.69	1,808,854,389	7.40
Total	$ 29,969,052,004	100.00 %	$ 24,436,773,837	100.00 %

* Amounts do not include non-cash collateral on loaned securities. Short term investments are cost, which approximates market

** Includes equity in the State Treasurer's Common Cash Fund but excludes amounts payable and receivable for sales and purchases of securities with a settlement date after September 30 for each fiscal year. Amount also excludes $1,112,477,273 and $602,432,922 in collateral for security lending for fiscal year 1997 and 1996 respectively.

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 1997

ACTUARIAL SECTION

MPSERS

Actuary's Certification

THE SEGAL COMPANY

One Park Avenue
New York, New York
10016-5895
212-251-5321
FAX: 212-251-5490

Michael J. Karlin, F.S.A., M.A.A.A.
Senior Vice President & Actuary

March 2, 1998

Ms. Janet E. Phipps
Director
Department of Management and Budget
and
Retirement Board
Michigan Public School Employees Retirement System
P.O. Box 30172
Lansing, Michigan 48909

Ladies and Gentlemen:

The Michigan Public School Employees Retirement System (MPSERS) is funded on an actuarial reserve basis. The basic financial objective of MPSERS is to establish and receive contributions that remain approximately level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually to determine MPSERS's actuarial liabilities and the employer contributions required to fund the System in accordance with the actuarial reserve funding provisions of the governing State Statute. The most recent actuarial valuation as of September 30, 1997 included a total of 417,423 members of MPSERS. The actuarial value of MPSERS's assets amounted to approximately $30.05 billion on September 30, 1997 (note that actuarial value was reset to market value as of September 30, 1997). The actuarial assumptions used in the 1997 valuation are the same as those used in the previous annual actuarial valuation, except for a reduction from 5% to 4% in the assumed inflation component of the salary scale. These assumptions produce valuation results which we consider to be reasonably indicative of the plan's underlying cost.

Our actuarial valuation of MPSERS as of September 30, 1997 was performed by qualified actuaries in accordance with accepted actuarial procedures. In our opinion, the calculated contribution rate meets the fundamental objectives of State law. Based on the 1997 valuation results, it is also our opinion that the Michigan Public School Employees Retirement System continues in sound condition, in accordance with actuarial principles of level cost financing.

Sincerely,

Michael Karlin

Michael Karlin, F.S.A., M.A.A.A.
Senior Vice President & Actuary

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.

2. The mortality table used in evaluating allowances to be paid was the 1983 Individual Annuitants Mortality Table, set forward two years for men and one year for women. Adopted 1994.

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on page 48. Adopted 1994.

4. Sample probabililties of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on page 48 of this report. Adopted 1994.

5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.

6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.

7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.

8. The data about persons now covered and about present assets was furnished by the system's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the Retirement Board and the Department of Management and Budget after consulting with the actuary.

Summary of Actuarial Assumptions and Methods (Continued)

SCHEDULE 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Basic	MIP
50		48 %
52		28
55	28 %	17
58	20	18
61	26	24
64	35	30
67	33	25
70	54	30

SCHEDULE 2

Separation From Active Employment Before Age & Service Retirement & Individual Pay Increase Assumptions

Sample Ages	Years Service	Percent of Active Members Withdrawing Within Next Year (Men and Women)	Percent of Active Members Becoming Disabled Within Next Year	Percent Increase In Pay During Next Year
All	0	37.00 %		
	1	19.50		
	2	11.00		
	3	8.00		
	4	6.50		
25	5 & Over	5.78	0.01 %	15.06 %
35		2.02	0.01	8.13
45		1.39	0.05	5.78
55		1.35	0.32	4.49
65		1.35	0.33	4.00

Actuarial Valuation Data

Schedule of Active Member Valuation Data

Valuation Date Sept. 30	Number	Reported Annual Payroll*	Average Annual Pay	% Increase	Average Age	Average Service
1988	285,992	$ 4,989,959	$ 17,448	(0.7) %	41.1 years	9.2 years
1989	287,750	5,284,205	18,364	5.2	41.0	9.4
1990	288,865	5,633,895	19,504	6.2	41.3	9.5
1991	293,503	6,032,513	20,553	5.4	41.5	9.6
1992	297,230	6,427,775	21,626	5.2	43.2	10.2
1993	296,585	6,897,924	23,258	7.5	42.2	9.8
1994	291,006	7,164,806	24,621	5.9	42.5	10.0
1995	294,911	7,564,876	25,651	4.2	43.4	10.1
1996	295,096	7,807,029	26,456	3.1	43.6	9.9
1997	295,691	8,027,450	27,148	2.6	43.6	10.0

* July 1 through June 30 payrolls in thousands of dollars through 1993, October 1 through September 30 annualized payments for fiscal years beginning October 1, 1993.

Schedule of Changes in the Retirement Rolls

Year Ended Sept. 30	Added to Rolls		Removed from Rolls		Rolls–End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances*	No.	Annual Allowances*	No.	Annual Allowances*		
1988	5,049	$ 60,607	2,254	$ 13,945	76,111	$ 547,015	9.3 %	$ 7,187
1989	6,086	79,382	2,280	14,973	79,917	611,424	11.8	7,651
1990	5,808	93,148	2,439	17,722	83,286	686,850	12.3	8,247
1991	5,595	83,226	2,628	20,359	86,253	749,717	9.2	8,692
1992	6,651	104,184	2,703	22,611	90,201	831,290	10.9	9,216
1993	6,278	100,691	2,905	20,295	93,574	911,686	9.7	9,743
1994	7,451	129,506	3,036	22,373	97,989	1,018,819	11.8	10,397
1995	8,192	146,151	3,030	22,998	103,151	1,141,972	12.1	11,071
1996	7,443	135,326	3,129	25,487	107,465	1,251,811	9.6	11,646
1997	7,691	147,433	3,314	27,765	111,842	1,371,479	9.6	12,263

* In thousands of dollars

Prioritized Solvency Test

The MPSERS funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due, the ultimate test of financial soundness. Testing for level contribution rates is the long term solvency test.

A prioritized solvency test is another means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: (1) active member contributions on deposit; (2) the liabilities for future benefits to present retired lives; and (3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) is normally partially covered by the remainder of present assets. Generally, if the system has been using level-cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is not necessarily a byproduct of level percent of payroll funding methods.

The schedule below illustrates the history of the liabilities of the system and is indicative of the MPSERS policy of following the discipline of level percent of payroll financing.

	Actuarial Present Value of Accrued Liabilities ($ in Millions)				Portion of Present Value Covered by Assets			
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)***
1988	$ 874	$ 4,503	$ 8,652	$ 11,823	100 %	100 %	74.5 %	84.3 %
1989#@	1,003	6,046	7,333	12,971	100	100	80.8	90.2
1990	1,192	6,611	7,963	13,746	100	100	74.6	87.2
1991	1,365	7,505	9,162	14,653	100	100	63.1	81.3
1992	1,510	8,212	9,841	15,333	100	100	57.0	78.4
1993+	1,700	9,177	10,822	16,999	100	100	56.6	78.3
1994	1,892	10,051	11,557	18,502	100	100	56.7	78.7
1994@	1,892	10,312	12,810	18,502	100	100	49.2	73.9
1995	2,057	11,569	13,776	20,455	100	100	49.6	74.6
1996	2,261	12,590	13,720	22,529	100	100	56.0	78.9
1997	2,500	14,303	13,376	25,485	100	100	64.9	84.4
1997@+	2,500	14,303	12,989	30,051	100	100	102.0	100.9

@ Revised actuarial assumptions.
\# Benefits amended.
\+ Revised asset valuation method.
*** Percents funded on a total valuation asset and total actuarial accrued liability basis.

Summary Of Plan Provisions

Our actuarial valuation of MPSERS as of September 30, 1997 is based on the present provisions of the Public School Employees' Retirement Act (Act 300 of 1980, as amended).

Regular Retirement (no reduction factor for age)

Eligibility — Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age — None.

Annual Amount — Total credited service times 1.5% of final average compensation.

Final Annual Compensation — Average of highest 5 consecutive years. (3 years for MIP members).

Early Retirement (age reduction factor used)

Eligibility — Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount — Regular retirement benefit, reduced by 1/2% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility — 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount — Regular retirement benefit based on service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility — No age or service requirement; in receipt of workers' disability compensation.

Annual Amount — Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Non-Duty Disability Retirement

Eligibility — 10 years of credited service.

Annual Amount — Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Duty Death Before Retirement

Eligibility — No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Summary Of Plan Provisions (Continued)

Annual Amount — Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.

Non-Duty Death Before Retirement

Eligibility — 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount — Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences a time member would have attained the minimum age qualification.

Post-Retirement Cost-of-Living Adjustments

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjujstment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

Retired before January 1, 1987 .... Greater of 13th check or automatic 3% increase
Retired on or after January 1, 1987 under MIP .... Automatic 3% increase only
Retired on or after January 1, 1987 not under MIP .... 13th check only

Post-Retirement Health Benefits

Members in receipt of pension benefits are eligible for fully State-paid Master Health Care Plan coverage (90% State-paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B preimums.

2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially State-paid health benefit coverage (no State payment if less than 21 years service).

Dependents are eligible for 90% State-paid health benefit coverage (partial State payment for dependents of deferred vested members who had 21 or more years of service).

Member Contributions

MIP Participants hired before January 1, 1990 — 3.9% of pay

Summary Of Plan Provisions (Continued)

MIP Participants hired on or after January 1, 1990 — 3.0% of first $5,000 of pay, plus 3.6% of next $10,000 of pay, plus 4.3% pay in excess of $15,000.

Non-MIP Participants — None.

Senate Bill No. 719 (Enacted in 1997)

Under this legislation, the actuarial value of assets was reset to market value as of September 30, 1997, with the 5-year smoothing of investment gains or losses to be applied prospectively. Also, the inflation component of the salary scale was revised from 5% to 4%. Finally, a stabilization subaccount was established to which any overfunding is to be credited.

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 1997

STATISTICAL SECTION

MPSERS

Schedule of Revenues by Source

Fiscal Year Ended Sept. 30	Health Insurance	Member Contributions	Employer Contributions Dollars*	Employer Contributions % of Annual Covered Payroll	Net Investment & Other Income	Total
1988@	$ 140,690,100	$ 141,662,531	$ 456,400,258	9.15%	$ (255,000,109)	$ 483,752,780
1989	141,662,800	157,309,641	424,642,678	8.04	1,843,715,391	2,567,330,510
1990	182,127,000	174,658,758	472,089,593	8.38	(433,399,646)	395,475,705
1991	171,007,634*	174,835,458	502,685,310	8.33	2,241,235,939	3,089,764,341
1992	231,559,072*	196,103,714	533,025,550	8.29	1,343,143,928	2,303,832,264
1993	166,642,908*	223,584,885	612,220,399	8.88	1,968,375,434	2,970,823,626
1994	88,178,299*	244,086,635	809,763,082	11.30	432,291,116	1,574,324,132
1995	271,031,481*	248,662,424	770,541,054	10.19	3,123,477,389	4,413,712,348
1996	305,173,023*	255,085,948	829,600,401	10.63	3,287,367,155	4,677,226,526
1997	342,675,635*	253,358,291	904,165,262	11.25	5,747,944,817	7,248,144,005

* Includes employer contributions for health, dental and vision benefits funded on a pay-as-you-go basis, or as statutorily required.

@ Unaudited.

Schedule of Expenses by Type

Fiscal Year Ended Sept. 30	Benefits Payments	Refunds and Transfers	Administrative Expenses	Total
1988*	$ 616,882,022	$ 1,560,025	$ 8,184,566	$ 626,626,613
1989	741,995,367	1,425,086	8,251,139	751,671,592
1990	821,705,321	2,418,521	9,162,436	833,286,278
1991	898,321,741	4,630,054	12,095,624	915,047,419
1992	1,010,916,803	3,453,420	13,229,581	1,027,599,804
1993	1,115,092,306	3,940,883	13,121,256	1,132,154,445
1994	1,234,384,948	5,457,370	15,307,293	1,255,149,611
1995	1,391,780,504	7,926,131	15,343,147	1,415,049,782
1996	1,565,111,270	11,698,045	10,381,801	1,587,191,116
1997	1,656,442,198	17,904,602	12,102,095	1,686,448,895

* Unaudited.

Schedule of Benefit Expenses by Type

Fiscal Year Ended Sept. 30	Regular Benefits*	Disability Benefits	Supplemental Check	Health Benefits	Total
1988@	$ 513,777,552	$ 15,457,236		$ 87,647,234	$ 616,882,022
1989	574,871,159	16,415,752	$ 28,088,593	122,619,863	741,995,367
1990	645,955,531	19,981,087		155,768,703	821,705,321
1991	706,806,593	19,979,268		171,535,880	898,321,741
1992	775,316,096	21,836,151		213,764,556	1,010,916,803
1993	855,363,962	23,909,603		235,818,741	1,115,092,306
1994	952,147,141	25,839,763		256,398,044	1,234,384,948
1995	1,071,950,982	28,257,525		291,571,997	1,391,780,504
1996	1,178,250,042	31,209,798	58,800,478	296,850,952	1,565,111,270
1997	1,274,469,892	37,129,588	6,228,619	338,614,099	1,656,442,198

* Includes prior post retirement adjustments.

@ Unaudited.

Schedule of Health Benefits
For Year Ended September 30, 1997

Claims		
Health Insurance	$	236,330,585
Vision Insurance		4,975,924
Dental Insurance		27,727,841
Total Claims	$	269,034,350
IBNR (Incurred but not reported claims)		
Health Insurance	$	35,650,385
Vision Insurance		1,243,981
Dental Insurance		2,101,000
Total IBNR	$	38,995,366
Administrative Fees		
Health Insurance	$	27,430,350
Vision Insurance		710,767
Dental Insurance		2,443,262
Total Administrative Fees	$	30,584,379
Subtotal	$	338,614,095
Refunds		45,539
Grand Total	$	338,659,634

Schedule of Retired Members by Type of Benefit
September 30, 1997

Amount Monthly Benefit	Number of Retirees	Type of Retirement *						Selected Option #			
		1	2	3	4	5	6	Opt. 1	Opt. 2	Opt. 3	Opt.1E 2E,3E
$ 1 - 200	14,829	12,690	1,128	100	675	1	235	9,405	2,736	1,861	827
201 - 400	18,328	15,060	1,389	88	1,277		514	11,139	3,703	2,511	975
401 - 600	13,180	10,830	946	47	832		525	7,563	2,629	1,992	996
601 - 800	10,136	8,493	640	13	565		425	5,811	1,981	1,440	904
801 - 1,000	8,219	7,046	429	21	401	1	321	4,397	1,673	1,160	989
1,001 - 1,200	7,088	6,203	328	3	295		259	3,471	1,553	1,107	957
1,201 - 1,400	6,413	5,754	241	2	216		200	2,877	1,586	1,085	865
1,401 - 1,600	6,108	5,614	195	2	130		167	2,692	1,619	1,109	688
1,601 - 1,800	5,785	5,453	148		68		116	2,477	1,522	1,142	644
1,801 - 2,000	5,657	5,429	119	1	32		76	2,336	1,345	1,132	844
Over 2,000	16,099	15,788	175		4	1	119	6,451	2,865	2,934	3,849
Totals	111,842	98,360	5,738	277	4,495	3	2,957	58,619	23,212	17,473	12,538

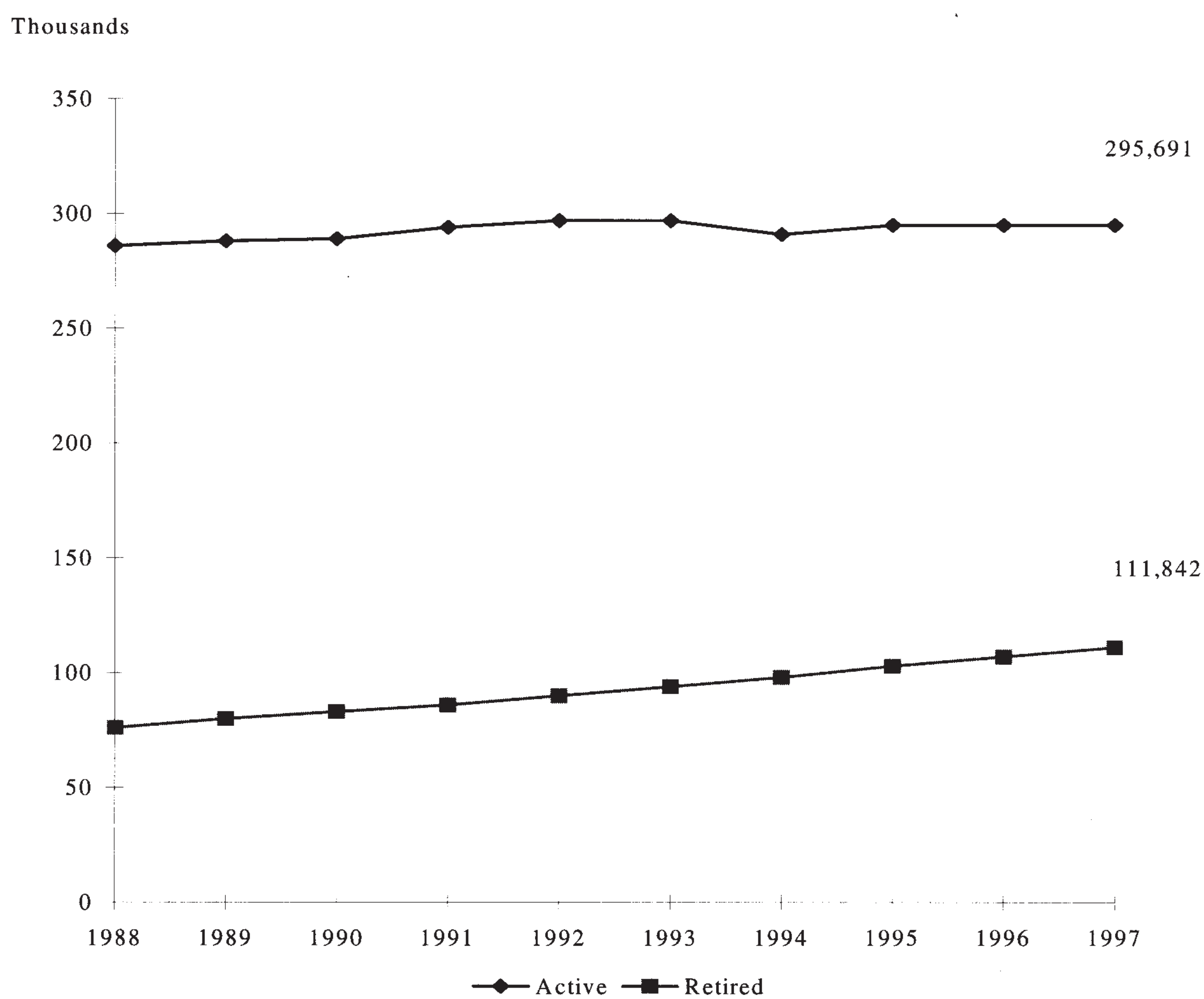
* Type of Retirement
1 - Normal retirement for age & service
2 - Survivor payment - normal retirement
3 - Duty disability retirement
4 - Non-duty disability retirement
5 - Survivor payment - duty death in service
6 - Survivor payment - non-duty death in service

Selected Option #
Opt. 1. - Straight life allowance
Opt. 2 - 100% survivor option
Opt. 3 - 50% survivor option
Opt. 1E, 2E, 3E - Equated retirement plans

Schedule of Average Benefit Payments

Retirement Effective Dates	Average Yearly Benefit	Number of Active Retirants
Period 10/01/91 to 09/30/92	$ 9,216	90,201
Period 10/10/92 to 09/30/93	9,743	93,574
Period 10/01/93 to 09/30/94	10,397	97,989
Period 10/01/94 to 09/30/95	11,071	103,151
Period 10/01/95 to 09/30/96	11,649	107,465
Period 10/01/96 to 09/30/97	12,263	111,842

10 Year History of Membership
Fiscal Year Ended September 30



Schedule of Participating Employers

Universities:

Central Michigan University
Eastern Michigan University
Ferris State University
Lake Superior State University
Michigan Technological University
Northern Michigan University
Western Michigan University

Community Colleges:

Alpena Community College
Bay De Noc Community College
Charles S Mott Community College
Delta College
Glen Oaks Community College
Gogebic Community College
Grand Rapids Community College
Henry Ford Community College
Highland Park Community College
Jackson County Community College
Kalamazoo Valley Community College
Kellogg Community College
Kirtland Community College
Lake Michigan College
Lansing Community College
Macomb Community College
Mid-Michigan Community College
Monroe County Community College
Montcalm Community College
Muskegon Community College
North Central Michigan College
Northwestern Michigan College
Oakland Community College
Schoolcraft Community College
Southwestern Michigan College
St. Clair County Community College
Washtenaw Community College
Wayne County Community College
West Shore Community College

Intermediate School Districts:

Allegan County Intermediate School Distr.
Alpena-Montmorency-Alcona E. S. D.
Barry Intermediate School District
Bay-Arenac Intermediate School District
Berrien Intermediate School District
Branch Intermediate School District
C.O.O.R. Intermediate School District

Intermediate School Districts (continued):

Calhoun Intermediate School District
Charlevoix-Emmet Intermed. School Distr.
Cheboygan-Otsego-Presque Isle ISD
Clare-Gladwin Intermediate School District
Clinton County R. E. S. A.
Copper Country Intermediate School Distr.
Delta-Schoolcraft Intermed. School Distr.
Dickinson-Iron Intermediate School District
Eastern U P Intermediate School District
Eaton Intermediate School District
Genesee Intermediate School District
Gogebic-Ontonagon Intermed. School Distr.
Gratiot-Isabella R. E. S. D.
Hillsdale Intermediate School District
Huron Intermediate School District
Ingham Intermediate School District
Ionia Intermediate School District
Iosco Intermediate School District
Jackson Intermediate School District
Kalamazoo Valley Intermed. School Distr.
Kent Intermediate School District
Lapeer Intermediate School District
Lenawee Intermediate School District
Lewis Cass Intermediate School District
Livingston E. S. A.
Macomb Intermediate School District
Manistee Intermediate School District
Marquette-Alger Intermediate School Distr.
Mason Lake Intermediate School District
Mecosta-Osceola Intermed. School Distr.
Menominee Intermediate School District
Midland Intermediate School District
Monroe Intermediate School District
Montcalm Area Intermediate School Distr.
Muskegon Area Intermediate School Distr.
Newaygo Intermediate School District
Oakland Intermediate School District
Oceana Intermediate School District
Ottawa Area Intermediate School District
Saginaw Intermediate School District
Sanilac Intermediate School District
Shiawassee R. E. S. D.
St. Clair Intermediate School District
St. Joseph Intermediate School District
Traverse Bay Area Intermed. School Distr.
Tuscola Intermediate School District
Van Buren Intermediate School District
Washtenaw Intermediate School District
Wayne R. E. S. A.
Wexford-Missaukee Intermed. School Distr.

Schedule of Participating Employers (Continued)

K - 12 School Districts:

Adams Township School District
Adams-Sigel #3 School
Addison Community Schools
Adrian Public Schools
Airport Community Schools
Akron-Fairgrove Schools
Alba Public Schools
Albion Public Schools
Alcona Community Schools
Algonac Community Schools
Allegan Public Schools
Allen Park Public Schools
Allendale Public Schools
Alma Public Schools
Almont Community Schools
Alpena Public Schools
Anchor Bay School District
Ann Arbor Public Schools
Arenac-Eastern High School
Armada Area Schools
Arvon Township Schools
Ashley Community Schools
Athens Area Schools
Atherton Community Schools
Atlanta Community Schools
Au Gres-Sims School District
Autrain-Onota Public Schools
Avondale School District
Bad Axe Public Schools
Baldwin Community Schools
Bangor Public Schools
Bangor Township Schools
Baraga Township Schools
Bark River - Harris Schools
Bath Community Schools
Battle Creek Public Schools
Bay City Public Schools
Beal City Schools
Bear Lake School
Beaver Island Community Schools
Beaverton Rural School District
Bedford Public Schools
Beecher Community School District
Belding Area Schools
Bellaire Public Schools
Bellevue Community Schools
Bendle Public Schools
Bentley Community Schools
Benton Harbor Area Schools
Benzie County Central Schools
Berkley City School District
Berrien Springs Public Schools
Bessemer Area School District
Big Bay De Noc School District
Big Burning-Colfax #1f School
Big Jackson School District
Big Rapids Public Schools
Birch Run Area Schools
Birmingham City Schools
Blissfield Community School District
Bloomfield #1-Red School
Bloomfield #7 Frl-Rapson School
Bloomfield Hills School District
Bloomingdale Public Schools
Bois Blanc Township School District
Boyne City Public Schools
Boyne Falls Public Schools
Brandon School District
Brandywine Public Schools
Breckenridge Community Schools
Breitung Township Schools
Bridgeport-Spaulding Community School Dist.
Bridgman Public Schools
Brighton Area Schools
Brimley Public Schools
Britton-Macon Area School
Bronson Community Schools
Brown City Community Schools
Buchanan Community Schools
Buckley Community Schools
Buena Vista School District
Bullock Creek School District
Burr Oak Community Schools
Burt Township School District
Byron Area Schools
Byron Center Public Schools
Cadillac Area Public Schools
Caledonia Community Schools
Calumet Public Schools
Camden-Frontier School
Capac Community Schools
Carman-Ainsworth Community School District
Carney-Nadeau Public Schools
Caro Community Schools
Carrollton School District
Carson City-Crystal Area Schools
Carsonville-Port Sanilac School
Caseville Public Schools
Cass City Public Schools
Cassopolis Public Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Cedar Springs Public Schools
Center Line Public Schools
Central Lake-Antrim County Public Schools
Central Montcalm Public Schools
Centreville Public Schools
Charlevoix Public Schools
Charlotte Public Schools
Chassell Township Schools
Cheboygan Area School District
Chelsea School District
Chesaning-Union Schools
Chippewa Hills School District
Chippewa Valley Schools
Church School
Clare Public Schools
Clarenceville School District
Clarkston Community Schools
Clawson City School District
Climax-Scotts Community Schools
Clinton Community Schools
Clintondale Community Schools
Clio Area School District
Coldwater Community Schools
Coleman Community Schools
Coloma Community Schools
Colon Community School
Columbia School District
Comstock Park Public Schools
Comstock Public Schools
Concord Community Schools
Constantine Public Schools
Coon-Berlin Township School District #3
Coopersville Public Schools
Corunna Public Schools
Covert Public Schools
Crawford-AuSable School District
Crawford-Excelsior School District #1
Crestwood School District
Croswell-Lexington Schools
Dansville Agricultural School
Davison Community Schools
Dearborn Heights School District #7
Dearborn Public Schools
Decatur Public Schools
Deckerville Community School District
Deerfield Public Schools
Delton-Kellogg Schools
DeTour Area Schools
Detroit Public Schools
Dewitt Public Schools
Dexter Community Schools
Dowagiac-Union School District
Dryden Community Schools
Dundee Community Schools
Durand Area Schools
East China Township School District
East Detroit School District
East Grand Rapids Public Schools
East Jackson Public Schools
East Jordan Public Schools
East Lansing Public Schools
Eaton Rapids Public Schools
Eau Claire Public Schools
Eccles-Sigel #4 School
Ecorse Public Schools
Edwardsburg Public Schools
Elk Rapids Schools
Elkton-Pigeon-Bay Port Schools
Ellsworth Community Schools
Elm River Township Schools
Engadine Consolidated School District #4
Escanaba Area Public Schools
Essexville-Hampton Public Schools
Evart Public Schools
Ewen-Trout Creek Consolidated School District
Fairview Area Schools
Farmington Public Schools
Farwell Area Schools
Fennville Public Schools
Fenton Area Public Schools
Ferndale City School District
Fitzgerald Public Schools
Flat Rock Community Schools
Flint City School District
Flushing Community Schools
Forest Area Schools
Forest Hills Public Schools
Forest Park School District
Fowler Public Schools
Fowlerville Community Schools
Frankenmuth School District
Frankfort-Elberta Area Schools
Fraser Public Schools
Free Soil Community School District # 8
Freeland Community Schools
Fremont Public Schools
Fruitport Community Schools
Fulton Schools
Galesburg-Augusta Community School District
Galien Township School

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Garden City Public Schools
Gaylord Community Schools
Genesee School District
Gerrish-Higgins School District
Gibraltar School District
Gladstone Area Schools
Gladwin Community Schools
Glen Lake Community Schools
Glenn-Ganges School District #4
Gobles Public Schools
Godfrey-Lee Public Schools
Godwin Heights Public Schools
Goodrich Area Schools
Grand Blanc Community Schools
Grand Haven Public Schools
Grand Ledge Public Schools
Grand Rapids Public Schools
Grandville Public Schools
Grant Public Schools
Grant Township School
Grass Lake Community Schools
Greenville Public Schools
Grosse Ile Township Schools
Grosse Pointe Public Schools
Gull Lake Community Schools
Gwinn Area Community Schools
Hale Area Schools
Hamilton Community Schools
Hamtramck Public Schools
Hancock Public Schools
Hanover Horton School District
Harbor Beach Community School District
Harbor Springs Public Schools
Harper Creek Community Schools
Harper Woods Public Schools
Harrison Community Schools
Hart Public Schools
Hartford Public Schools
Hartland Consolidated Schools
Haslett Public Schools
Hastings Area School District
Haynor- Easton Township School District #6
Hazel Park Public Schools
Hemlock Public Schools
Hesperia Community Schools
Highland Park School District
Hillman Community Schools
Hillsdale Community Schools
Holland Public Schools
Holly Area Schools
Holt Public Schools
Holton Public Schools
Homer Community Schools
Hopkins Public Schools
Houghton Lake Community Schools
Houghton-Portage Township School District
Howell Public Schools
Hudson Area Schools
Hudsonville Public Schools
Huron School District
Huron Valley School District
Ida Public Schools
Imlay City Community Schools
Inkster Public Schools
Inland Lakes Schools
Ionia Public Schools
Iron Mountain Public Schools
Ironwood-Gogebic City Area Schools
Ishpeming Public Schools
Ithaca Public Schools
Jackson Public Schools
Jefferson Schools
Jenison Public Schools
Johannesburg-Lewiston Area Schools
Jonesville Community Schools
Kalamazoo Public Schools
Kaleva Norman Dickson School District
Kalkaska Public Schools
Kearsley Community Schools
Kelloggsville Public Schools
Kenowa Hills Public Schools
Kent City Community Schools
Kentwood Public Schools
Kingsley Area Schools
Kingston Community Schools
Kipper School
L'Anse Creuse Public Schools
L'Anse Public Schools
Laingsburg Community Schools
Lake City Area Schools
Lake Fenton Community School District
Lake Linden-Hubbell Public Schools
Lake Orion Community School #3
Lake Shore Public Schools
Lakeshore Public Schools
Lakeview Community Schools
Lakeview Public Schools
Lakeview School District
Lakeville Community Schools
Lakewood School District

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Lamphere Public Schools
Lansing Public Schools
Lapeer Public Schools
Lawrence Public Schools
Lawton Community Schools
Leland Public Schools
Les Cheneaux Community Schools
Leslie Public Schools
Lincoln Consolidated Schools
Lincoln Park Public Schools
Linden Community Schools
Litchfield Community Schools
Littlefield Public Schools
Livonia Public Schools
Loucks-Roxend Township School District #12
Lowell Area Schools
Ludington Area Schools
Mackinac Island Public Schools
Mackinaw City Public Schools
Madison District Public Schools
Madison School District #2
Mancelona Public Schools
Manchester Community Schools
Manistee Public Schools
Manistique Area Schools
Manton Consolidated School District
Maple Valley Schools
Mar Lee School District
Marcellus Community Schools
Marenisco School District
Marion Public Schools
Marlette Community Schools
Marquette Area Public Schools
Marshall Public Schools
Martin Public Schools
Marysville Public Schools
Mason Consolidated Schools
Mason County Central School District
Mason County-Eastern-Custer #5 School District
Mason Public Schools
Mattawan Consolidated Schools
Mayville Community Schools
McBain Rural Agricultural School
Melvindale-Northern Allen Park School District
Memphis Community Schools
Mendon Community School
Menominee Area Public Schools
Meridian Public Schools
Merrill Community Schools
Mesick Consolidated Schools
Michigan Center School District
Mid Peninsula Schools
Midland City Schools
Milan Area Schools
Millington Community School District
Mio-AuSable Schools
Mona Shores School District #29
Monroe Public Schools
Montabella Community Schools
Montague Area Public Schools
Montrose Community Schools
Moran Township School District
Morenci Area Schools
Morley-Stanwood Community Schools
Morrice Area Schools
Mt Clemens Community Schools
Mt Morris Consolidated Schools
Mt Pleasant Public Schools
Munising Public Schools
Muskegon City Public Schools
Muskegon Heights City Public Schools
Napoleon Comm. School District
Negaunee Public Schools
New Buffalo Area Schools
New Haven Community Schools
New Lothrup Area Public Schools
Newaygo Public Schools
Nice Community Schools
Niles Public Schools
North Adams-Jerome Public Schools
North Branch Area Schools
North Central Area Schools
North Dickinson School
North Huron Schools
North Levalley School #2
North Muskegon Public Schools
Northport Public Schools
Northview Public Schools
Northville Public Schools
Northwest School District
Norway-Vulcan Area Schools
Nottawa Community Schools
Novi Community School District
Oak Park School District
Oakridge Public Schools
Okemos Public Schools
Olivet Community Schools
Onaway Area Community Schools
Onekama Consolidated Schools
Onsted Community Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Ontonagon Area School District
Orchard View Schools
Osceola Township Schools
Oscoda Area Schools
Otsego Public Schools
Ovid-Elsie Area Schools
Owendale-Gagetown Area Schools
Owosso Public Schools
Oxford Area Community Schools
Palo Community Schools
Parchment School District
Paw Paw Public Schools
Peck Community Schools
Pellston Public Schools
Pennfield Schools
Pentwater Public Schools
Perry Public Schools
Petoskey Public Schools
Pewamo-Westphalia Community School District
Pickford Public Schools
Pinckney Community Schools
Pinconning Area Schools
Pine River Area Schools
Pittsford Area Schools
Plainwell Community Schools
Plymouth-Canton Community School District
Pontiac City School District
Port Hope Community Schools
Port Huron Area Schools
Portage Public Schools
Portland Public Schools
Posen Consolidated Schools
Potterville Public Schools
Powell Township School District
Quincy Community Schools
Rapid River Public Schools
Ravenna Public Schools #24
Reading Community Schools
Redford-Union School District #1
Reed City Public School District
Reese Public Schools
Reeths-Puffer Schools
Republic-Michigamme Schools
Richmond Community Schools
River Rouge Public Schools
River School
River Valley School District
Riverside-Hagar School District #6
Riverview Community Schools
Rochester Community Schools
Rockford Public Schools
Rogers City Area Schools
Romeo Community Schools
Romulus Community Schools
Roseville Community Schools
Royal Oak City School District
Rudyard Public Schools
Saginaw City Schools
Saginaw Township Community Schools
Saline Area Schools
Sand Creek Community Schools
Sandusky Community Schools
Saranac Community Schools
Saugatuck Public Schools
Sault Ste Marie Public Schools
Schoolcraft Community Schools
Shelby Public Schools
Shepherd Public Schools
South Haven Public Schools
South Lake Public Schools
South Lyon Community Schools
South Redford School District
Southfield Public Schools
Southgate Community School District
Sparta Area Schools
Spring Lake Public Schools
Springport Public Schools
St. Charles Community Schools
St. Ignace Public Schools
St. Johns Public Schools
St. Joseph Public Schools
St. Louis Public Schools
Standish-Sterling Community School Distr.
Stanton Twnshp. Public Schools
Stephenson Area Public Schools
Stockbridge Community Schools
Strange-Oneida School #3
Sturgis Public Schools
Summerfield Schools
Superior Central School District
Suttons Bay Public Schools
Swan Valley School District
Swartz Creek Community Schools
Tahquamenon Area School District
Tawas Area Schools
Taylor Township Schools
Tecumseh Public Schools
Tekonsha Community Schools
Thornapple-Kellogg School
Three Rivers Community Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Traverse City Public Schools
Trenton Public Schools
Tri-County Area Schools
Troy City School District
Ubly Community Schools
Union City Community Schools
Unionville-Sebewaing Area Schools
Utica Community Schools
Van Buren Public Schools
Van Dyke Public Schools
Vanderbilt Area Schools
Vandercook Lake Public Schools
Vassar Public Schools
Verona Mills School
Vestaburg Community Schools
Vicksburg Community Schools
Wakefield Township Schools
Waldron Area Schools
Walkerville Rural Community School Distr.
Walled Lake Consolidated Schools
Warren Consolidated Schools
Warren Woods Public Schools
Waterford School District
Watersmeet Township School District
Watervliet Public Schools
Waverly Community Schools
Wayland Union Schools
Wayne-Westland Community Schools
Webberville Community Schools
Wells Township School #18
West Bloomfield Schools
West Branch-Rose City Area Schools
West Iron County Public Schools
West Ottawa Public Schools
Western School District
Westwood Community Schools
Westwood Heights Schools
White Cloud Public Schools
White Pigeon Community Schools
White Pine School District
Whitefish Township School
Whiteford Agricultural School
Whitehall District Schools
Whitmore Lake Public Schools
Whittemore-Prescott Area Schools
Williamston Community Schools
Willow Run Community Schools
Wolverine Community Schools
Wood School District #8
Woodhaven School District
Wyandotte Public Schools
Wyoming Public Schools
Yale Public School District
Ypsilanti Public Schools
Zeeland Public Schools

Public School Academies:

Acad. for Plastics Mftg Technology
Academy of Detroit - East
Academy of Detroit - Oak Park
Academy of Detroit - Southfield
Academy of Detroit - West
Academy of Detroit - Westland
AGBU Alex & Marie Manoogian School
Aisha Shule/WEB Dubois Prep School
Averill Career Center Technical Academy
Bahweting Anishnabe Public School Academy
Bay-Arenac Community High School
Benito Juarez Academy
Black River Public School
Central Academy
Cesar Chavez Academy
Colin Powell Academy
Commonwealth Comm Development Acad.
Concord Academy
Concord Academy - Boyne
Creative Learning Acad of Science, Math & Humanities
Da Vinci Institute
Detroit School of Industrial Arts
Discovery Elementary School (Fennville Charter)
El-Hajj Malik El-Shabazz Academy
Elbert T. Clark Academy
Excel Charter Academy
Gaudior Academy
Grattan Academy
Honey Creek Community School
Horizons Community High School
Island City Academy
Lake Bluff Academy
Lakeshore Public Academy
Learning Center Academy, The
Livingston Developmental Academy
Livingston Technical Academy
Macomb Academy
Martin Luther King, Jr. Public School Academy
Michigan Automotive Academy
Michigan Early Elementary Center
Michigan Health Academy
Mid-Michigan Public School Academy

Schedule of Participating Employers (Continued)

Public School Academies (continued):

Midland Acad. of Advanced & Creative Studies
Nah Tah Wahsh Public School Academy
Nataki Talibah School of Detroit
New Branches School
New Directions Institute
New School for Creative Learning
Northlane Math & Science Academy
Northside Preparatory School
Northwest Academy
Nsoroma Institute
Oasis Academy
Bacon Memorial District Library
Pansophia Academy
Cheboygan Area Public Library
Plymouth Educational Center Charter School
Grosse Pointe Public Library
Questar Academy
Harbor Beach District Library
Renaissance Public School Academy
Kalamazoo Public Library
Saginaw County Transitional Academy
Public Libraries of Saginaw
Sankofa Shule
Willard District Library
SER Casa Academy
Sierra Leone Educational Outreach Academy
St. Clair County Learning Academy
Summit Academy
Sunrise Educational Center
Thomas-Gist Academy
Traverse Bay Community School
Tri Valley Academy
Vanderbilt Charter Academy
Vanguard Charter Academy
Vista Charter Academy
Walden Green Day School
Walter French Acad. of Business & Technology
Warwick Pointe Academy
West MI Acad. for Arts & Academics
West MI Acad. for Hospitality Sciences
West MI Academy of Environmental Science
Windover High School
Woodward Academy

Libraries:

Ann Arbor District Library
Bacon Memorial District Library
Cheboygan Area Public Library
Grosse Pointe Public Library
Harbor Beach District Library
Kalamazoo Public Library
Public Libraries of Saginaw
Willard District Library